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LEGISLATIVE HISTORY

Public Law 1016 - 84th Congress

Chapter 1025 - 2nd Session

S. 3732

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INDEX AND SUMMARY OF S. 3732

April 26, 1956	Senate Banking and Currency Committee reported without amendment S. 3732. Senate Report 1864. Print of bill and report.
April 30, 1956	At request of Senator Bible, Senate passed over S. 3732.
May 9, 1956	Senate made S. 3732 the unfinished business.
May 10, 1956	Senate passed S. 3732 with amendments.
May 14, 1956	S. 3732 referred to House Banking and Currency Committee.
July 12, 1956	Committee ordered reported S. 3732.
July 17, 1956	S. 3732 reported with amendment. House Report 2746. Print of bill and report.
July 19, 1956	Rules Committee reported resolution for consideration of S. 3732. H. Res. 617, H. Report 2828.
July 21, 1956	House debated S. 3732.
July 25, 1956	House passed S. 3732 with amendments.
July 26, 1956	Senate disagreed in House amendments. House and Senate conferees appointed.
July 27, 1956	Both Houses received and agreed to conference report. House Report 2959.
August 7, 1956	Approved: Public Law 1016.

Section 13. Establishes a working Capital Fund for furnishing supply and equipment services in support of programs of the Forest Service.

Public Law 984 (H. R. 5881) SMALL RECLAMATION PROJECTS ACT OF 1956 (approved August 6, 1956). Supplements the Federal reclamation laws by providing for Federal cooperation in non-Federal projects, and for participation by non-Federal agencies in small Federal reclamation projects in the 17 Western States. Each project is limited in cost to \$5 million or less, with certain exceptions. Authorizes the appropriation of \$100 million to carry out the provisions of the Act.

Public Law 989 (S. 2585) RESEARCH LAND EXCHANGE AND CONEROSS WATERSHED PROJECT (approved August 6, 1956). Authorizes the exchange of a small parcel of land which is a part of the Agricultural Research Center at Beltsville, Maryland, for a privately owned tract of land adjoining the research center. Exempts the proposed Coneross Watershed project, South Carolina, from the usual congressional review as required by the Watershed Protection and Flood Prevention Act.

Public Law 990 (S. 3831) WEST VIRGINIA FISH HATCHERY (approved August 6, 1956). Authorizes the Secretary of the Interior to establish a new fish hatchery in West Virginia (will provide fish for stocking the waters of the national forests and other streams in the State).

Public Law 992 (S. 3101) CROOKED RIVER RECLAMATION PROJECT (approved August 6, 1956). Authorizes construction by the Secretary of the Interior of the Crooked River Federal reclamation project, Oregon.

Public Law 993 (S. 3227) LITTLE WOOD RIVER RECLAMATION PROJECT (approved August 6, 1956). Authorizes construction by the Secretary of the Interior of the Little Wood River reclamation project, Idaho.

Public Law 1001 (H. R. 9396) EXEMPTION OF GUAR SEED FROM IMPORT DUTY (approved August 6, 1956). Amends the Tariff Act of 1930 so as to exempt from duty the importation of guar seed into the U. S. or certain of its possessions.

Public Law 1006 (S. 4203) AMENDMENTS TO ATOMIC ENERGY ACT OF 1954 (approved August 6, 1956). Amends this Act to clear up certain difficulties in the operations of the Atomic Energy Commission. Authorizes the Commission to make grants to colleges and universities for reactors for education and training purposes (such as food sterilization reactors). Transfers administrative control over all Federal land within Los Alamos, County, New Mexico, to the Commission, including such lands within the Santa Fe National Forest.

Public Law 1016 (S. 3732) FEDERAL FLOOD INSURANCE ACT OF 1956 (approved August 7, 1956). Authorizes the Housing and Home Finance Agency to carry out an insurance, reinsurance, and lending program in connection with flood damage. Limits outstanding loans to \$2,000,000,000 with authority for the President to increase this amount by \$500,000,000 in any one fiscal year. Limits outstanding insurance policies and reinsurance agreements to \$3,000,000,000 with authority for the President to increase this amount by \$2,000,000,000 if deemed advisable. Requires the Housing and Home Finance Agency and this Department to coordinate the administration of their respective programs relating to flood insurance and reinsurance for agricultural commodities. Provides that, where the Agency's program may affect flood-control works under the jurisdiction of other Federal agencies, such agencies shall cooperate with HHFA in coordinating their respective programs. Authorizes HHFA, in providing insurance or reinsurance under the Act, to use and pay for the services of other public agencies. Prohibits insurance or reinsurance under this Act if insurance is available on reasonable terms from other public or private sources. Authorizes the Agency to enter into contracts to provide that, in case

of flood damage, the Agency will guarantee any public or private financing institution against loss of loans and, if loans are not available from such institutions, the agency will make flood-damage loans.

Public Law 1018 (H. R. 8750) AMENDMENTS TO WATERSHED PROTECTION AND FLOOD PREVENTION ACT (approved August 7, 1956). Modifies the Watershed Protection and Flood Prevention Act (Public Law 566, 83rd Congress) as follows:

Broadens the definition of works of improvement to include measures not only for agricultural purposes as presently authorized by Public Law 566, but also for non-agricultural purposes such as municipal and industrial water supplies and streamflow regulation.

Increases to 25,000 acre-feet the total capacity provided by any one structure which may be included in a watershed work plan, but retains the existing five thousand acre-feet limitation on the capacity provided by any one structure for flood prevention purposes.

Exempts from review by other Federal agencies and from transmission to the Congress watershed work plans involving an estimated Federal contribution to construction costs of \$250,000 or less and not containing any single structure which provides more than 2,500 acre-feet of total capacity.

Requires the approval by resolutions of certain Committees of Congress of watershed work plans transmitted to the Congress, as a condition to the appropriation of funds.

Eliminates the 15-day waiting period after watershed work plans are transmitted to the Congress.

Provides for the preparation of plans and estimates necessary for adequate engineering evaluation.

Provides for allocations of costs to the various purposes.

Requires local organizations to bear such proportionate share of the costs of installing works of improvement for irrigation, drainage, and other agricultural water management as is determined by the Secretary to be equitable in consideration of the direct identifiable benefits.

Requires local organizations to assume all of the cost of installing works of improvement for purposes other than flood prevention and agricultural water management.

Requires the Federal Government to bear the entire construction cost of works of improvement applicable to flood prevention and features relating thereto.

Provides that water users, as well as landowners, shall acquire needed water rights.

Provides that local organizations shall submit to the Secretary satisfactory plans for repayment of loans or advancements.

Requires local organizations to secure private engineering services satisfactory to the Secretary for projects which include structures providing for municipal or industrial water supplies.

Gives local organizations the option of either securing private engineering services or using the engineering services of employees of the Federal Government for projects not providing for municipal or industrial water supplies.

Requires the Secretary to reimburse the local organization for the cost it incurs for private engineering services.

Authorizes the Secretary to contract for private engineering services for local organizations.

Authorizes the Secretary to make advances to local organizations to pay for private engineering services not to exceed five per cent of the estimated total cost of works of improvement.

Authorizes the Secretary to make loans or advancements to local organizations to finance local costs for periods of up to fifty years at the Federal long-term borrowing rate, with provision that no such loan or advancement shall exceed \$5 million for any one project.

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(For Department Staff Only)

Issued April 27, 1956
For actions of April 26, 1956
84th-2nd, No. 68

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HIGHLIGHTS: House debated road bill. Senate committee reported flood insurance bill. Sen. Clements introduced and discussed bill to authorize CCC to pay cost of processing foods for distribution. Sen. Humphrey introduced and discussed bill to authorize payment of ocean freight on surplus commodities shipped overseas. Sen. Morse and Rep. Engle (and 12 other Reps.) introduced and discussed bills to provide greater multiple use of forest lands.

HOUSE

- ROADS.** Commenced debate on H. R. 10660, the road bill. p. 6371 (For provisions of interest to this Department, see Digest 66.)
- BANKING AND CURRENCY.** Agreed to Senate amendments to H. R. 6227, to provide for definition of bank holding companies, control their future expansion, and require divestment of their nonbanking interests. p. 6422 This bill is now ready for the President.
- FOREIGN TRADE.** Received from the State Department a proposed bill "to provide for certain costs of United States participation in the International Bureau for the Publication of Customs Tariffs"; to the Foreign Affairs Committee. p. 6428
- FORESTRY.** Received from the Interior Department a proposed bill relating to the management of the Red Lake Indian Forest and Sawmill; to the Interior and Insular Affairs Committee. p. 6428

5. PERSONNEL. Received from the Commerce Department a proposed bill "to authorize the establishment of 35 positions for specially qualified scientific and professional personnel in the Commerce Department with rates of compensation at rates not to exceed the maximum rate payable under Public Law 313, 80th Congress"; to the Post Office and Civil Service Committee. p. 6428

SENATE

6. FLOOD INSURANCE. The Banking and Currency Committee reported without amendment S. 3732, an original bill to provide insurance against flood damage (S. Rept. 1864). p. 6288
7. ELECTIFICATION. The Interior and Insular Affairs Committee reported with amendment S. 1574, to provide for payments to owners of non-Federal water-use facilities for hydroelectric power benefits realized by the U. S. therefrom (S. Rept. 1865). p. 6288
Sen. Langer inserted a newspaper article stating that Sen. Case supports adequate public power for W. Dak. and S. Dak. p. 6294
8. WEATHER CONTROL. The Interstate and Foreign Commerce Committee reported without amendment S. 2913, to extend for 2 years (until June 30, 1958) the Advisory Committee on Weather Control (S. Rept. 1866). p. 6288
9. FARM LABOR. The Interstate and Foreign Commerce Committee reported without amendment S. 3391, to provide for reasonable requirements regarding comfort, safety, etc., of the interstate transportation of migrant farm workers (S. Rept. 1870). p. 6288
10. RECLAMATION. Passed with amendment S. 497, to authorize the Secretary of the Interior to construct, operate, and maintain the Washoe reclamation project, Nev. and Calif. p. 6299
Passed as reported S. 2206, to provide for the construction and operation by the Secretary of the Interior of the Ainsworth unit of the Missouri River Basin project. p. 6306
11. ALCOHOL; RUBBER. At the request of Sen. Curtis the Government Operations Committee was discharged from further consideration of S. 3566, to provide for the transfer to the USDA of certain Government-owned alcohol and rubber plants, and the bill was referred to the Banking and Currency Committee. p. 6292
12. DAYLIGHT-SAVING TIME. Passed without amendment S. 3295, authorizing the extension of daylight-saving time in D. C. to the last Sunday in October. p. 6296
13. FARM PROGRAM. Sen. Neuberger inserted an article from New Republic favoring a two-price system for wheat. p. 6311
14. LEGISLATIVE PROGRAM. H. R. 8535, relating to the construction of irrigation distribution systems, was made the unfinished business to be considered on Mon. p. 6309
15. RECESSED until Mon., Apr. 30. p. 6369

ITEMS IN APPENDIX

16. WHEAT; APPROPRIATIONS. Speech in the House by Rep. Hope during the debate on State-Justice appropriations bill for 1957 criticizing the charge that there are a lot of small farmers who are being criminally prosecuted and fined because they grow more than 15 acres of wheat. p. A3397

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(For Department Staff Only)

Issued
For actions of

May 3, 1956
May 2, 1956
84th-2nd. No. 72

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HIGHLIGHTS: House debated new farm bill. House passed Commerce Department appropriation bill. House committee reported bill establishing fish hatchery in Pisgah Forest.

HOUSE

1. FARM PROGRAM. Began debate on H. R. 10875, the new farm bill. p. 6581 (For a summary of the provisions of this bill, see Digest 71.)
2. APPROPRIATIONS. Passed with amendment H. R. 10899, the Commerce Department and related agencies appropriation bill for 1957 (p. 6563). The bill includes \$23,000,000 for forest highways and, authorizes the transfer of \$900,000 from the 1956 "census of agriculture" to complete the tabulation of final reports and liquidation of activities under the agriculture census, and makes the balance of 1956 appropriations for the Advisory Committee on Weather Control available through July 1956.

In connection with appropriations for the Bureau of the Census, the Committee report states as follows: "It has come to the Committee's attention that recent changes made in the handling of foreign trade statistics have resulted in the consolidation of the classification for certain commodities. This change appears to have reduced the value of this information to the business concerns of the country, particularly in connection with tobacco products and electronics equipment. While the Committee is in accord with efforts to reduce expenditures wherever possible, it feels that reductions which greatly reduce the value of

information furnished can not be considered to be in the interest of economy. Accordingly the Committee feels that this change should be re-examined and consideration should be given to reinstating the former level of statistical service with a portion of the increase provided in this appropriation."

3. FOREIGN TRADE. Rep. Bailey criticized the proposed operation of GATT and OTC as being inimical to the domestic interests, and criticized the State Department for allegedly usurping legislative prerogatives in the field of tariffs and trade. p. 6608
4. FORESTRY. The Merchant Marine and Fisheries Committee reported with amendment H. R. 9822, to provide for establishment of a trout hatchery on the Davidson River in the Pisgah National Forest, N. C. (H. Rept. 2097). p. 6625
5. PERSONNEL. The Post Subcommittee of the Post Office and Civil Service Committee ordered reported to the full committee S. 3315, to amend Sec. 5 of the Civil Service Retirement Act of 1930, which permits an annuity to be paid to an officer or employee who has died prior to the completion of 1 year of creditable civilian service. p. D428

SENATE

6. FLOOD INSURANCE. S. 3732, as reported (see Digest 68), provides for the creation of a Federal Flood Insurance Administration, headed by a Commissioner, within the Housing and Home Finance Agency for the purpose of providing insurance against flood damage. It limits to \$3 billion the face amount of insurance policies and reinsurance agreements outstanding at any one time (which may be increased \$2 billion with the approval of the President). The bill also provides that no insurance or reinsurance shall be issued under the provisions of the Act covering risks against which insurance is available on reasonable terms from other public or private sources; that in providing insurance or reinsurance, the Commissioner may use the services of other public agencies, and pay reasonable compensation therefor; that the Commissioner may supply, receive from and exchange with other agencies of the Federal Government, State, local, and interstate commissions or agencies, and private organizations experience in the fields of insurance or reinsurance, such information as may be useful in the administration of the programs; that in carrying out the functions authorized in the Act, the Commissioner may consult with other agencies of the Federal Government and interstate, State, and local public agencies having responsibilities for land use and flood control and for flood zoning and flood-damage prevention in order to assure that the insurance and reinsurance programs are consistent with the programs of such agencies; that where the program of the Commissioner may affect existing or proposed flood-control works under the jurisdiction of agencies of the Federal Government these agencies shall cooperate with the Commissioner in coordinating their respective programs; and that the Secretary of Agriculture and the Commissioner shall coordinate the administration of their respective programs relating to flood insurance and reinsurance for agricultural commodities.

ITEMS IN APPENDIX

7. ROADS. Rep. Fallon inserted William S. Lampe's, editor, Pittsburgh Sun-Telegraph, recent address, "Economic Impact Of The Highway Program". p. A3502
Rep. Fallon inserted a table setting forth the apportionment of Federal highway funds to the various States under the provisions of the proposed highway program. p. A3505

84TH CONGRESS }
2d Session }

SENATE

{ REPORT
{ No. 1864

FEDERAL FLOOD INSURANCE ACT
OF 1956

REPORT
FROM THE
COMMITTEE ON
BANKING AND CURRENCY
TO ACCOMPANY
S. 3732



APRIL 26, 1956.—Ordered to be printed

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FEDERAL FLOOD INSURANCE ACT OF 1956

APRIL 26, 1956.—Ordered to be printed

Mr. LEHMAN, from the Committee on Banking and Currency,
submitted the following

R E P O R T

[To accompany S. 3732]

The Committee on Banking and Currency, having considered proposals to authorize insurance against flood damage, report favorably a committee bill (S. 3732) to provide insurance against flood damage, and for other purposes, and recommend that the bill do pass.

GENERAL STATEMENT

The heavy losses left in the wake of recent hurricanes have dramatized the lack of generally available insurance protection against flood damage. An individual can get insurance protection against the risk of destruction caused by storms, lightning, earthquake, and many other natural catastrophes, but not against the risk of floods. This fact prompted the Banking and Currency Committee to conduct an intensive study of the feasibility of a Federal disaster-insurance program to fill this gap in insurance protection.

As background for the study, the chairman directed the committee staff to prepare a report on data and opinions necessary to a sound consideration of a Federal disaster-insurance program. The staff report was available to each member of the committee during the hearings in late 1955 and early 1956. It has since been made available as a public document (S. Rept. No. 1313).

Between October 31 and December 19, 1955, with Senator Lehman presiding as acting chairman, the committee held 8 hearings on the general subject of disaster insurance, the hearings being held in the District of Columbia, New York, Massachusetts, Rhode Island, Connecticut, and North Carolina. Further hearings on specific legislative proposals were conducted in Washington, D. C., on February 16, 17, 21, 23, and 27, 1956. These sessions received a most comprehensive range of testimony from representatives of insurance associations and companies, from public officials, and from private persons and public interest organizations in the areas ravaged by floods and hurricanes.

As a result of its extensive studies and hearings, the committee gathered and analyzed sufficient information on flood-insurance problems to enable it to formulate, from the various legislative proposals that were submitted to it, a committee proposal for a Federal flood-insurance program that will meet the urgent need and at the same time take cognizance of the practical difficulties involved.

The difficulties in the way of formulating a practical program are not to be minimized but the committee was confronted with evidence of an overwhelming need for a program of Federal insurance against the risk of flood damage.

Private insurance companies will not at this time furnish this insurance, generally claiming that it is impractical as a commercial proposition. Only the Government can undertake the pilot program which may eventually lead to the assumption by private insurance companies of responsibility for covering the risk of damage from floods.

The Federal flood insurance program recommended by this committee is intended to blaze the trail and establish the actuarial and other experience needed to show, if it can be shown, that flood-risk insurance can be offered by private companies on a commercially feasible basis.

At the same time the committee has recognized the need to control within reasonable limits the financial risk to which the Government will be exposed. This has been done by making this program an experimental one, with strict limits on the amount of insurance that can be written and the amount of coverage any individual, corporation, or Government entity can acquire from the Federal Government.

Federal flood insurance is supported by numerous Members of Congress, public and private groups, individual citizens, and also by President Eisenhower and former President Truman as well. The bill herein reported is based on much careful research and the advice of experts in the insurance industry. It represents a sound approach to a pilot program of Federal flood insurance, and the committee strongly recommends its passage at the earliest possible date.

HISTORY OF LEGISLATION

On August 20, 1951, following the disastrous floods in the Midwest, President Truman sent to the Congress a special message (H. Doc. 228, 82d Cong., 1st sess.) requesting, among other things, \$50 million in appropriations for a revolving fund for the financing of a Federal flood-insurance program. This request was referred to the respective Congressional Appropriations Committees. Both committees, however, declined the request, the Senate committee noting that the subject should be reviewed by the appropriate standing committees.

Earlier, legislation for Federal indemnity for flood loss had been introduced by Senator Hennings and Congressman Bolling. Moreover, on September 20, 1951, Senator Carlson introduced a bill (S. 2148) to establish a National Disaster Insurance Corporation. This measure would have authorized a Federal Government reinsurance program for insurance by existing companies against losses caused by flood, tidal wave, earthquake, or hurricane. Private real or personal property, as well as that owned by State or local government, was to be covered if private insurance was unavailable.

On May 5, 1952, President Truman sent another message to the Congress containing recommendations relative to national flood insurance, and attaching a copy of draft legislation (H. Doc. 458, 82d Cong., 2d sess.). This measure was introduced on May 9, 1952, by Senator Maybank, then chairman of this committee. On May 5, 1952, a companion bill was introduced in the House of Representatives by Congressman Bolling as H. R. 7726. No final action was taken on these measures.

No bill dealing with flood insurance was introduced either in the 83d or the 1st session of the 84th Congress in the Senate. In the House, Congressman Bolling reintroduced H. R. 7726 as H. R. 377 on January 3, 1953. No further legislative action was taken on this bill.

Renewed interest in legislation of this nature arose following the disastrous loss and damage caused by hurricanes and floods in August 1955. After requests by Senators Lehman and Bush of this committee and by other Members of Congress, Chairman Fulbright directed the committee staff to study the practicability of Federal disaster insurance. The staff began preparation of draft bills at the request of Senator Bush and of Senator Lehman.

On August 23, 1955, President Eisenhower met with the governors of the flood-stricken Northeastern States at Bradley Field near Hartford, Conn. He issued a statement, in part as follows:

We're going into the business of seeing whether * * * we can get insurance through some cooperation between insurance companies and States and Federal Governments to prevent the kind of losses that have been suffered by our industries.

On August 28, 1955, Senator Lehman's office announced he would introduce an omnibus bill providing for Federal disaster insurance and empowering the Federal Civil Defense Administration to meet the effects of both manmade (atomic) and natural disaster. On September 12, 1955, Senators Kennedy and Saltonstall made public the draft of a proposed flood insurance bill which they said would be introduced in the Senate when the Congress reconvened. Similar evidences of interest in appropriate disaster-insurance legislation were received from several other Members of the Senate, including Senator Carlson, Senator Ervin, Senator Green, Senator Johnston of South Carolina, Senator Pastore, Senator Payne, and Senator Purtell. Paralleling this activity, a study of the feasibility of a Federal flood-insurance program was undertaken by the executive branch, under the direction of the Bureau of the Budget.

In President Eisenhower's January 5, 1956, message on the state of the Union, he again referred to the need for careful consideration of flood-insurance problems, stating:

Disaster-assistance legislation requires overhauling and an experimental program of flood-damage indemnities should be undertaken. The administration will make recommendations on these subjects.

From these various measures and expressions of interest there developed two main bills which this committee considered in executive session. The first was S. 2862, introduced on January 5, 1956, by Senator Bush for himself, Senator Purtell, Senator Duff, Senator

Kuchel, Senator Ives, Senator Payne, Senator Case of New Jersey, Senator Kennedy, Senator Watkins, Senator Capehart, Senator Smith of New Jersey, Senator Saltonstall, Senator Flanders, Senator Wiley, Senator Malone, Senator Thyne, Senator Barrett, Senator Bender, and Senator Young. On January 18, 1956, Senator Bush introduced an amendment in the nature of a substitute to S. 2862. S. 2862, and subsequently the substitute amendment, became identified as the administration's proposal. The second bill, S. 3137, resulted from a reconciliation of two measures originally proposed by Senator Lehman and by Senator Kennedy. The so-called Lehman-Kennedy bill (S. 3137) was introduced on February 6, 1956, by Senator Lehman for himself, Senator Kennedy, Senator Morse, Senator Neuberger, Senator Green, Senator Pastore, Senator Scott, Senator Johnston, Senator Ervin, Senator Sparkman, and Senator Kefauver.

The several legislative proposals on this subject pending before the committee were referred to the committee's Subcommittee on Securities under the chairmanship of Senator Lehman. The present committee bill, unanimously reported by the subcommittee, and subsequently by the full committee, also by unanimous vote, represents in major part a reconciliation of the Lehman-Kennedy bill (S. 3137) and the Bush bill (S. 2862).

PROVISIONS OF S. 3732

The committee bill creates an agency called the Federal Flood Insurance Administration. It would be located, for housekeeping purposes, in the Housing and Home Finance Agency, and administered by a Commissioner appointed by the President and approved by the Senate.

The bill authorizes the Commissioner to issue direct flood-insurance policies and provide reinsurance for policies issued by private insurance companies. Private insurance facilities would be used to market policies and adjust claims. The private insurance companies and associations have assured this committee of their readiness to cooperate in every way.

The Commissioner is directed to establish a schedule of "estimated rates" for the insurance that would be offered under the bill. This schedule would be computed by the Commissioner on the basis of his evaluation of the actual risks involved for each class of property in each area and location. These estimated rates would be uniform for similar risks within each separate class of property.

The estimated rates would be fixed at actuarial levels, as far as possible, on the basis of all available flood damage data.

The schedule of estimated rates would be used as the basis for a schedule of fees to be charged for the flood-insurance policies. No insurance policy could be issued for a fee lower than 60 percent of the corresponding estimated rate for the particular category of property involved.

The maximum limit on the outstanding face amount of insurance which could be issued to any one "person" is \$250,000. In the case of dwellings the face amount is limited to a maximum of \$10,000 per dwelling unit and appurtenances.

Risk exposure of the Government—the total face value of insurance to be written—is limited to \$3 billion (or \$5 billion with the approval of the President) plus an amount equal to the fees collected. An

exposure of \$5 billion is actually very small. This is demonstrated by testimony received by the committee that a single private insurance company has outstanding about \$20 billion worth of extended coverage insurance (primarily windstorm) compared with total company assets of only about \$1¼ billion. Nevertheless, this bill should permit a pilot program in the flood-insurance field and test its feasibility.

As in the case of most automobile collision insurance, the committee bill contains a "loss-deductible" provision for the purpose of eliminating "nuisance" claims. This provision relieves the Government from liability for paying (a) the first \$100 of any loss, and (b) 5 percent of the rest of the claim. These are minimum figures which the Commissioner is authorized to raise, for different classes of property and risks.

The premium rate and the terms and conditions of any policies issued by private insurance companies on the basis of Government reinsurance are made subject to the Commissioner's approval.

The Commissioner is directed to use his best efforts to encourage private companies to insure that portion of the risk in excess of the per policy limit established for direct Federal insurance. In order to encourage the entry of private companies into this field, the Commissioner may offer a suitable program of Federal reinsurance within the limitations prescribed by the bill. In addition, the Commissioner is authorized to encourage, through Federal reinsurance, the issuance by private insurance companies of policies insuring generally against flood loss. These provisions offer private insurance companies an opportunity to enter the flood-insurance field with the aid of Federal reinsurance.

The bill expressly provides that neither direct insurance nor reinsurance can be issued against risks for which insurance is already available on reasonable terms from other public or private sources.

The bill authorizes coverage of both real and personal property owned privately or by public bodies.

The term "flood" is broadly defined to include the water component of any severe storm as well as rising waters and abnormally high tidal water. The Commissioner is also authorized to assign such other specific meaning to the generic term "flood" as he may prescribe by regulation.

In an effort to minimize losses and to avoid putting a premium on high-risk construction, the bill contains two specific provisions relating to zoning. The first of these excludes from coverage any property declared by an appropriate public body to be in violation of State or local flood zoning laws. The second provides that after June 30, 1958, a condition of coverage shall be that such public flood zoning restrictions as the Commissioner may deem necessary shall be in effect.

The bill provides for consultation by the Commissioner with other Federal, State and local government agencies having responsibilities in the fields of land use, flood control, flood zoning and flood damage prevention in order to assure that the insurance and reinsurance programs carried on under this bill are consistent with the programs of such agencies.

The Federal Flood Insurance Administration is required by the bill to obtain its administrative expense moneys from direct appropriations made by the Congress. All other funds for operation of FFIA will be obtained from (1) fees collected from purchasers of insurance policies

and organizations making reinsurance agreements; (2) earnings on the investment and reinvestment of such fees; (3) salvage proceeds received in the course of operations under the bill; and (4) funds borrowed from the United States Treasury (up to a total limit of \$500 million or such greater amount as the President may approve).

The bill requires the Commissioner to appoint an Advisory Committee consisting of not less than 3 nor more than 15 persons to advise him concerning the formulation of policies and the execution of functions under this bill.

Moreover, the Commissioner is directed to make a continuing study of the feasibility of turning the entire flood insurance program over to the private insurance industry.

The Commissioner, in his annual report for the year ending December 31, 1961, is required to express his opinion as to the advisability of withdrawing, in whole or in part, Federal financial support for flood insurance.

The Commissioner is further directed to make continuing studies of the availability of privately issued insurance against risks from other natural disasters (such as earthquake, mine subsidence, and hurricanes), if it is found that such insurance is not generally and practically available from public or private insurance sources and to study the desirability of extending the Government flood insurance program to cover such additional perils.

NEED FOR LEGISLATION

The damage caused by flood is a national problem calling for national solution. It is not confined to any particular State or group of States. Exactly where flood damage may strike in a given year is a matter of conjecture, but statistics show that flood losses will occur annually somewhere within the United States. Estimates of average annual flood damage compiled by the United States Weather Bureau, the Army Corps of Engineers, and the Department of Agriculture range between \$326 million and \$545 million at 1950-52 prices.

The amount of flood damage in any particular year rarely approximates the average amount of flood damage over a long span of years. The United States Weather Bureau statistics show a range (at 1950-51 prices) from \$6.3 million in 1931 to \$1 billion in 1951 as against an annual average of \$326 million. In both 1954 and 1955, flood damage exceeded \$800 million.

Testimony given the committee was unanimous in concluding that flood insurance against damage to real property is not now generally available from either private or public sources. Flood damage hits particularly hard (1) those homeowners who lose their homes in a flood but still owe the mortgage debt on such homes, and (2) businessmen whose credit is so impaired by flood loss as to discourage them from resuming business operations. Federal disaster grants are not now generally available for individuals as such. Only such Federal loan programs as emergency loans to farmers and stockmen by the Agriculture Department and loans to disaster victims by the Small Business Administration are available to help individual flood victims. The Federal Housing Administration can insure a mortgage up to \$7,000 to help replace a home destroyed by a major disaster; but the beneficiary must show ability to repay the mortgage loan. A man

who has just lost the security on a prior mortgage—retaining only the indebtedness—is often unable to make such a showing. Proceeds of Federal crop insurance help reimburse flood loss to crops; but the program is limited to some 800 out of 3,000 counties, and further limited to certain crops in the 800 counties.

Individual disaster victims must turn to charity for relief, if their own assets or ability to borrow are not sufficient to rehabilitate them. Presently the American National Red Cross grants limited charitable relief to persons on the basis of their need; sometimes to the extent of making gifts of money to rebuild destroyed homes and small businesses.

Mortgage and business debtors work out as best they can their obligations to creditors after a flood. Flood losses show up in Federal income tax returns as deductions for loss or bad debts, or in a decrease or lack of taxable income. Such losses significantly decrease the Federal tax revenues.

The Federal Government has long assumed a major share of responsibility for flood control (viz: the Flood Control Act of 1936). However, the testimony of the Corps of Engineers indicates that it will take about 22 years at the present rate of appropriations to complete the remaining projects now authorized in the flood control program. Moreover, the 1936 act limits flood protective works to structures from which the demonstrable benefits will exceed the cost.

There is a specific precedent for a flood insurance program in the Federal crop insurance program. The Congress has already enacted into law several programs incorporating insurance principles or related indemnity principles, involving the payment of fees or charges by those benefiting from the programs. These include (1) aviation war damage insurance; (2) bank deposit insurance; (3) Export-Import Bank tangible property insurance; (4) Government employees insurance; (5) housing mortgage insurance; (6) maritime cargo war time insurance; (7) maritime vessel mortgage insurance; (8) Mutual Security Act investment guarantee program; (9) old age and survivors' insurance; (10) postal insurance; (11) savings and loan account insurance; (12) unemployment insurance; (13) veterans' life insurance; (14) V-loans guaranteed by Federal Government agencies; and (15) war damage insurance. From this list it is apparent that the insurance device has already gained wide usage in Federal programs.

Testimony given by representatives of the insurance industry supports the conclusion that there are no insuperable obstacles in the way of achieving a workable program of flood insurance such as that authorized by the bill. Every representative of the industry who testified affirmed that the insurance industry is ready to cooperate with the Federal Government by, among other things, making the services of skilled actuaries available in order to aid in achieving the most efficient possible program under the terms of this bill.

CONCLUSIONS

Areas of endeavor exist wherein government can render for its citizens services that they, individually or in organizations, cannot economically perform for themselves. Flood insurance is such an area. The homeowner or tenant of moderate means can ill afford to sustain flood losses that wipe out at a single blow all his accumulated assets. In a still more hapless plight is the homeowner whose home and belongings are washed away by flood, but whose mortgage debt

on the home remains due and unpaid. The proprietor of a small commercial or industrial establishment may be thrust overnight from solvency to bankruptcy due to damage inflicted by waters.

The determination of the businessman to resume his business activities with its resulting jobs for citizens and tax income for public bodies would be immensely heightened by insurance against flood loss. The ability of the flood-victimised homeowner to repair or rebuild his home and generally to recover from the blow would be immeasurably enhanced if he had such insurance.

The homeowner is forced to seek charity. The businessman must turn to lending institutions willing to rely on his character and managerial ability as assurance for repayment of any loan extended to him, at a time when the physical assets of his business enterprise have been seriously damaged or destroyed by floodwaters. Even where available, credit is not as satisfactory a solution as insurance proceeds received as a matter of right.

The committee reported this bill by unanimous vote. It sincerely urges the Senate to promote the general welfare of the United States by authorizing a program whereby our citizens, in order to guard against the risk of catastrophic loss by flood, may join together in a self-help pool, with the supporting hand of the Federal Government in the background only to the extent monetary support proves to be needed for the program.

DESCRIPTION OF BILL

FEDERAL FLOOD INSURANCE ADMINISTRATION

The bill creates a constituent agency within the Housing and Home Finance Agency to be known as the Federal Flood Insurance Administration. This will be headed by a Commissioner appointed by the President, subject to confirmation by the Senate. Operating policy control is vested in the Commissioner but the Housing and Home Finance Administrator will be responsible for the general supervision of FFIA and for coordination of its functions with those of other agencies in the HHFA. In order to avoid duplication of facilities, the Housing and Home Finance Administrator is authorized to provide such administrative services to FFIA as he deems practicable. FFIA is made subject to the Government Corporation Control Act, giving the regular Appropriations Committees general control over the size of the operating budget of FFIA. The Commissioner is required to maintain a set of accounts to be audited annually by the Government Accounting Office. The Commissioner's decisions on such financial transactions as the issuing of insurance policies, the making of reinsurance agreements, and the approval of vouchers will be final and conclusive upon all Federal officers.

These provisions make it clear that operating policy control of FFIA will rest with the Commissioner who, under the terms of the bill, will have the major responsibility of devising policies and procedures designed to result in a workable program. The Housing and Home Finance Agency has been selected as the agency in which overall supervision of this program will be vested because it already has gained considerable experience in the field of insurance due to its operations in the insuring of home mortgages, and the insuring of homes against flood damage is expected to constitute a major segment of the program authorized by this bill.

AUTHORITY TO INSURE AND REINSURE

This bill authorizes the Commissioner to provide Federal assistance for flood insurance by issuing direct Federal insurance policies or by reinsuring policies issued by private or other public agencies against the peril of flood. Under the provisions of the bill, however, the direct Federal insurance program may contain a limited subsidy factor which is not provided for in connection with the reinsurance program. It is the hope of your committee that private insurance organizations will see fit to enter the field of flood insurance with the aid of a Federal reinsurance program. However, all testimony received by your committee's Subcommittee on Securities indicates a hesitancy on the part of private insurance companies to enter this field even with the support of Federal reinsurance. Consequently, in order to assure that the desired protection will actually become available, the bill authorizes a program of direct Federal insurance against the peril of flood. Even in this sphere the bill requires the use of private organizations authorized to engage in the insurance business in the marketing of policies and in the adjustment of claims made under such policies. The bill contemplates that reasonable compensation may be paid for such services and facilities. Since the direct Federal insurance program under the bill seems likely to be most used in the early stages of administering this legislation, this report proceeds to discuss the provisions applicable to direct Federal insurance.

ESTIMATED RATES AND FEES

The Commissioner is directed to establish a schedule of estimated rates for insurance offered under this bill. This schedule will be computed on the basis of the risks involved; the estimated rates will be uniform for similar risks within a given class of property; and estimated rates will be fixed at levels that would, in the Commissioner's judgment, be adequate, if collected, to produce sufficient proceeds over a reasonable period of years to pay all claims for losses. The schedule of estimated rates is not to include any factor for payment of Federal administrative expenses under this bill; these are to be paid out of directly appropriated funds. Neither is it intended that the schedule of estimated rates will include any factor of profit to be realized from the program.

Once established, this schedule of estimated rates shall be used by the Commissioner as a ceiling from which to compute a schedule of fees the purchasers of flood insurance policies under this bill will be required to pay. While not conclusive, all testimony received by your committee's Subcommittee on Securities leads to the belief that a schedule of estimated rates based entirely on so-called actuarial considerations may prove to be too high to serve as an adequate basis for providing flood insurance protection to prospective purchasers. Therefore, the bill provides that the Commissioner shall establish a schedule of fees to be paid by purchasers of the insurance designed to provide insurance protection at reasonable costs and to achieve marketability of the insurance policies, provided that no insurance policy can be issued for a fee lower than 60 percent of the corresponding estimated rate for insurance provided by that policy. In effect, this difference between the estimated rate and the fee may be referred to as the "subsidy." While under the bill this can never be larger than 40

percent of the estimated rate, it need not be that large. The bill expressly authorizes the Commissioner to decrease the percentage of this subsidy by establishing classifications of fees based on (1) the use of the insured property; (2) the availability of insurance for such property from private sources; and (3) the insured's ability to self-insure or reinsure; provided that all fees must be uniform for similar risks within a given classification of property. Under this provision it is possible for the Commissioner to grant a greater subsidy for one classification of property, such as homes, than for another classification of property, such as industries. He may also base classifications on the availability of insurance from private sources, as in the field of personal property flood insurance. Finally, he may take into consideration the ability of the prospective insured to self-insure or reciprocally reinsure its flood risks.

If this program is to become workable, the schedule of fees charged persons purchasing the insurance must be fixed at levels that will make it possible for the various classes of prospective buyers to acquire the insurance and thus make the program effective.

Upon the sale of insurance policies, the Commissioner is to pay into a disaster insurance fund the amount of the subsidies applicable to such policies.

The fees for reinsurance offered under the provisions of this bill are to be established from time to time by the Commissioner through a process of negotiation with insurance companies seeking reinsurance. These fees under the bill will contain no admitted subsidy in the sense in which that term has been used in the preceding paragraph. The reinsurance fees are to be based on the consideration of the risks involved and are to be adequate, in the Commissioner's judgment, to produce sufficient proceeds over a reasonable period of years to pay all claims for losses covered by the reinsurance agreements. The fees are not to include any loading for administrative expenses for the Federal Government under this bill. Neither does the bill make any provision for considering a profit factor in establishing such reinsurance fees.

No subsidy was provided in the case of reinsurance fees lest the available insurance authorization under the bill be exhausted by use in the reinsurance program, leaving no authorization available to provide for direct Federal insurance in those areas where private companies do not choose to write flood insurance.

Administrative expenses of the program are excluded from the computation of insurance and reinsurance fees because it is believed this arrangement will make it possible better to judge the feasibility of writing flood insurance or reinsurance as a commercial venture. The amounts and methods of accounting for administrative expenses would obviously differ in a Federal program and in a privately operated program.

POLICY LIMITATIONS

Under the bill the outstanding face amount of insurance issued by the Commissioner cannot exceed \$250,000 per person, and in no event can the Commissioner issue more than \$10,000 face amount of Federal flood insurance on any dwelling unit, including any structures and personal property connected with it. In view of the bill's limitation on the total amount of insurance and reinsurance which can be written under it, it is deemed necessary to fix some limit on the amount of insurance that can be purchased by any one person under the pro-

visions of this bill. "Person" has been defined in the bill to mean an individual or group of individuals, a corporation, a partnership, an association or any other organized group of persons, including State and local governments and agencies thereof. In the absence of a statutory limitation, it is possible that corporations and governments might purchase Federal flood insurance in such large amounts as to leave little of the total authorization available for insurance of the property owned by individuals. Your committee reached the conclusion that the limitation specified by the bill will provide a fair measure of protection to a large number of persons, even if it will not provide complete protection from flood loss for all persons, corporations and government units desiring to purchase Federal flood insurance. The bill permits the Commissioner to issue appropriate regulations regarding insurance available under the bill to joint owners and to subsidiary and affiliated corporations. Such a provision is deemed necessary to enforce the effectiveness of the per person limit placed on insurance policies issued under this bill.

PROGRAM LIMITATIONS

The bill provides that exposure of the Government to loss on insurance and reinsurance policies outstanding under this program cannot be more than \$3 billion (or \$5 billion with the approval of the President), plus an amount equal to the fees collected for insurance or reinsurance under the bill. As claims are approved under insurance policies and reinsurance agreements issued under the bill, the amount of such claims will serve to reduce the total authorization above by a corresponding amount.

To the extent that this program successfully approaches true insurance principles, the face amount of insurance policies issued and reinsurance agreements entered into under this bill should be many times greater than the amount of losses expected to be incurred. Admittedly, this is largely an untried field of insurance. However, in property damage insurance coverage provided by private insurance companies, experience has shown that even in years of comparatively heavy losses, premiums alone exceed losses and loss expenses incurred on a national basis by almost a 2-to-1 ratio. Information obtained by your committee indicates the following relationship among total assets, total premiums earned, and losses and loss expenses incurred for all stock insurance companies operating in the property damage field over the last 5-year period. These companies reportedly write about 80 percent in volume of the property damage insurance written in the United States:

Capital stock insurance companies 1950-54, inclusive

Year	Assets	Premiums earned	Losses and loss expenses incurred
1954.....	\$8,957,123,499	\$3,316,167,119	\$1,665,454,932
1953.....	7,604,680,413	3,154,762,724	1,720,885,607
1952.....	7,467,791,124	2,980,361,944	1,591,851,968
1951.....	6,736,331,654	2,706,165,421	1,477,304,686
1950.....	6,314,130,184	2,449,913,805	1,265,405,737

It should be noted that these figures do not include the total face value of policies written by these stock companies. Under insurance policies resulting in the above listed earned premiums, insurance practice relies on the premium rate being adequate to more than pay any losses incurred under policies issued. In fact, your committee's Subcommittee on Securities was informed by representatives of the insurance industry that there are no reliable estimates of the extent of total exposure of insurance companies under property damage insurance policies written by them.

It is, therefore, the expectation and hope of your committee that the total loss experienced by the Government in this program will be just a small fraction of the face amount of the insurance written under it.

While a program of \$5 billion worth of insurance may at first glance seem large in amount, its comparative minuteness can be readily seen by comparing it with private insurance practice. Your committee's Subcommittee on Securities received testimony to the effect that a single insurance company has outstanding about \$20 billion worth of insurance against perils included in extended coverage endorsements, the principal of which is windstorm, compared to total company assets of about \$1¼ billion. However, in the opinion of your committee, the comparatively small program authorized by this bill will provide a means of running a pilot program in the flood-insurance field in order to test its feasibility.

LOSS DEDUCTIBLE PROVISION

In an effort to reduce "nuisance" claims, keep the cost of administering the program low, and provide the insured an incentive to protect the insured property against flood damage, the bill requires a minimum loss deductible clause in each insurance policy issued by the Commissioner that will relieve the Government from any liability for paying the first \$100 of a proved and approved claim of loss, plus 5 percent of the remainder of such claim. The bill further authorizes the Commissioner to increase either the amount or the percent, or both, upon the issuance of an insurance policy, taking into consideration the class of risk involved.

CLAIMS PAYMENT

The Commissioner is instructed to arrange for prompt adjustment and payment of valid claims for losses covered by insurance and reinsurance in the bill. Claims are exempted from attachment, levy, garnishment, or other legal process before payment to the insured on a Federal insurance policy or to the insurer under a Federal reinsurance agreement. Moreover, any such claim is excused from reduction on account of indebtedness of the insured or his estate, or the insurer, as the case may be, to the United States, except for United States claims arising under this bill. This provision is designed to assure that the insured will receive the benefit of flood insurance proceeds and that the ceding company under a reinsurance agreement will be assured of receiving the entire portion of any claim approved under such agreement.

JUDICIAL REVIEW

The bill provides that if a claim made by virtue of any insurance policy issued or reinsurance agreement made under the bill is disallowed by the Commissioner in whole or in part, the claimant may institute a legal action against the Commissioner in the United States district court in which a major portion in terms of value of the insured property is located. Such action may be instituted at any time within one year after the date upon which the claimant receives from the Commissioner written notice of disallowance or partial disallowance of the claim. The bill makes adequate provision to empower all United States district courts to hear and determine such actions.

REINSURANCE

The bill authorizes the Commissioner to exercise careful control over any insurance policy receiving the benefit of Federal reinsurance under the bill. The premium rate and the terms and conditions of any such policy are made subject to the Commissioner's approval.

The Commissioner is required to use his best efforts to try to encourage private companies to insure that portion of flood loss in excess of the policy limit specified by direct Federal flood insurance. In order to encourage the entry of private companies into this field, the Commissioner may offer a suitable program of Federal reinsurance within the limitations prescribed by the bill. In addition, the Commissioner is authorized to encourage, through Federal reinsurance, the issuance by private insurance companies of policies insuring generally against flood loss.

These provisions offer private insurance companies an opportunity to enter the flood-insurance field with the aid of Federal reinsurance.

NONDUPLICATION OF AVAILABLE INSURANCE

Elsewhere the bill expressly provides that neither insurance nor reinsurance can be issued under the bill covering risks against which insurance is available on reasonable terms from other public or private sources.

The bill also requires that the annual report of the Housing and Home Finance Administrator for the year ending December 31, 1961, must contain an express opinion of the Commissioner, supported by pertinent findings, concerning the advisability of withdrawing, in whole or in part, Federal assistance in the flood insurance field, keeping in mind the desirability of offering flood-insurance protection. In the event the Commissioner's opinion recommends withdrawal of entire or partial Federal financial support for the flood-insurance program, it is to be accompanied by appropriate legislative recommendations. In the light of conditions then existing, the Congress can consider in the public interest the procedures to be adopted for terminating the Federal flood-insurance program. These provisions insure the insurance industry that at the end of 1961 the Commissioner must come to grips with the problem of determining whether it is necessary for the Federal Government to remain in the flood-insurance field either as a direct insurer or as a source of reinsurance.

The bill requires the Commissioner to undertake a continuing study of private insurance company participation in the programs authorized

by the bill, in order that flood insurance can be provided by policies issued by private insurance companies with the aid of Federal reinsurance. The bill also requires the Commissioner to undertake a continuing study of the feasibility of having private insurance companies take over the insurance programs authorized by the bill, either with or without some form of Federal financial support.

In view of these provisions, it is the hope of your committee that it has adequately safeguarded the legitimate interests of private insurance companies and has done all within its practical power to encourage their entry into the field of flood insurance.

ZONING

In an effort to minimize the extent of claims for insured losses filed with the Commissioner, the bill contains two specific zoning provisions. The first of these prohibits the issuance of insurance or reinsurance under the bill on any property declared by an appropriate public body to be in violation of State or local flood-zoning laws. The second provides that after June 30, 1958, no insurance or reinsurance shall be issued under the bill in any geographical location unless an appropriate public body shall have adopted and shall keep in effect such flood-zoning restrictions as the Commissioner may deem necessary to reduce, within practicable limits, flood damage within such location.

Taken together, these two provisions should serve as an adequate incentive for States to do what is within their power to minimize flood damage. In the opinion of your committee, it was unnecessary, to serve this purpose, to include a provision, as was proposed by the administration, requiring the State to pay a part of the premium due on each insurance policy. The requirement for such a monetary contribution raised so many constitutional, legal, and financial problems that, in the opinion of your committee, such a requirement would prejudice the workability of the entire flood-insurance program.

COORDINATION

The bill contemplates that the Commissioner will consult with other Federal, State, and local government agencies having responsibilities in the fields of land use, flood control, flood zoning, and flood-damage prevention in order to assure that the insurance and reinsurance programs carried on under this bill are consistent with the programs of such agencies. The bill directs Federal agencies having jurisdiction over existing or proposed flood-control works to cooperate with the Commissioner in coordinating their respective programs wherever the activities of the Commissioner may affect such flood-control works. Moreover, the bill instructs the Secretary of Agriculture and the Commissioner to coordinate the administration of their respective programs affecting the protection of agricultural commodities against flood damage. Through the Federal Crop Insurance Corporation, the Department of Agriculture presently offers multiple-risk-insurance protection for certain crops in approximately 800 of the 3,000 counties in the United States. For the most part FCIC insurance protects the crops while they are still in the ground but ceases to cover them when they are removed from the ground. Under the broad authority granted the Commissioner under this bill, he would have the power to insure crops against flood damage

whether they were located in the ground or had been removed from the ground, save for the provision prohibiting the Commissioner from issuing insurance covering risks against which insurance is available upon reasonable terms from other public or private sources. In order to avoid unnecessary duplication in the field of crop insurance, the bill contemplates that the Secretary of Agriculture and the Commissioner will coordinate their respective programs affecting this field.

The bill expressly authorizes the Commissioner to supply, receive from, and exchange with other Federal, State, and local agencies and private insurance or reinsurance organizations information useful in administering the programs authorized by the bill.

As previously noted, the bill also requires the Commissioner to use to the maximum practical extent the facilities and services of private organizations and persons authorized to engage in the insurance business under the laws of any State and to arrange for payment of reasonable compensation for such facilities and services. If the administrative practice followed in the case of the War Damage Corporation is adapted to this program, it will make unnecessary the creation of a vast Federal agency staffed by numerous employees for the purpose of carrying out the program authorized under the bill. Existing organizations skilled in the writing of insurance and in recommending adjustment of claims filed under insurance policies are able, and seem to be willing, to supply their services and facilities to the Federal Government in order to make these programs function efficiently. Representatives of these organizations have indicated to your committee's Subcommittee on Securities that for the most part the organizations would be willing to supply such facilities and services to the Government on a cost basis.

FINANCING

The Federal Flood Insurance Administration (created within HHFA to handle the programs authorized under this bill) is required by the bill to obtain its administrative expense moneys from direct appropriations made by the Congress. All other funds for operation of FFIA will be obtained from (1) fees collected from purchasers of insurance policies and organizations making reinsurance agreements; (2) earnings on the investment and reinvestment of such fees; (3) any salvage proceeds received in the course of operations under the bill; and (4) funds borrowed from the United States Treasury. In the beginning it will presumably be necessary for the Commissioner to borrow funds from the United States Treasury in order to pay the admitted subsidy portion of the insurance premiums.

The bill places a top limit of one-half billion dollars on the outstanding amount of money that the Commissioner may borrow from the Treasury. However, it permits the President to grant approval to the Commissioner's borrowing any greater amount from the United States Treasury. The indebtedness of the Commissioner incurred in these borrowings will be evidenced by notes or other obligations in form and context satisfactory to the Commissioner and approved by the Secretary of the Treasury. These obligations will bear interest at a rate of interest determined by the Secretary of the Treasury, taking into consideration the current average rate on outstanding marketable obligations of the United States of comparable maturities

as of the last day of the month preceding the issuance of such obligations. The Secretary is empowered to treat this as a public debt transaction and may in turn sell any obligations acquired by him from the Commissioner.

BOOKKEEPING

The Commissioner is authorized to establish two general funds to be known as the disaster insurance fund and the disaster reinsurance fund, respectively. Proceeds received in connection with Federal flood insurance, and losses and nonadministrative expenses required to be paid in connection with such insurance will be handled through the disaster insurance fund. Similar proceeds and expenditures in connection with the reinsurance authorized by the bill will be handled through the disaster reinsurance fund. It is within the Commissioner's discretion to determine how much of the money borrowed from the Secretary of the Treasury will be deposited in each of the respective funds. Moneys in both funds may be invested in United States obligations or in obligations guaranteed as to principal and interest by the United States. The investment obligations may be sold and the proceeds derived from their sale may be reinvested in similar obligations, if deemed advisable by the Commissioner.

Moneys in both funds may be used to repay to the Secretary of the Treasury sums borrowed from him in accordance with the bill.

ADVISORY COMMITTEE

In view of the experimental nature of this program, your committee deems it advisable that the Commissioner have available the services of an advisory committee composed of members familiar with insurance or reinsurance problems. The bill, therefore, requires the Commissioner to appoint such an advisory committee consisting of not less than 3 nor more than 15 persons to advise him concerning the formulation of policies and the execution of functions under this bill.

DURATION OF PROGRAM

It has been previously noted that the bill requires the Commissioner in the annual report for the year ending December 31, 1961, to express his opinion as to the advisability of withdrawing, in whole or in part, Federal financial support for flood insurance. In order that the Congress may be well informed concerning the development of the programs authorized by this bill, it requires the annual report of the Housing and Home Finance Administrator to cover comprehensively the operation of programs authorized under the bill, the status and result of studies authorized under section 15 of the bill, and recommendations for legislative changes deemed desirable by the Commissioner to improve the operation of programs authorized under the bill. Under the circumstances, the bill contemplates a continuing program of Federal flood insurance and reinsurance unless and until it is found feasible to transfer the operation of the programs to private industry. As indicated in the staff study, the amount of flood damage occurring in any given year is apt to vary considerably from the average annual damage computed over a long span of years. Consequently, the longer the period of operations under this bill, the more

valuable the experience gained in such operations will prove to be as an indicator of the feasibility of handling these programs as private commercial ventures. Therefore, no fixed termination date is provided by the bill.

CONTROL OF GOVERNMENT EXPOSURE TO FINANCIAL LIABILITY

The total amount of flood-insurance exposure that the Federal Government can incur is limited by the provisions in the bill. Toward this amount, fees collected from insurance purchasers, investment earnings on such fees, and salvage income from the program are all available for use. Apart from insured losses, administrative expenses constitute the only other potential cost to the Government in a flood-insurance program. The bill makes these dependent upon congressional appropriations in the usual method, affording the regular Appropriations Committees of the Congress ample opportunity to control Federal expenditures in this respect. Additional administrative authority is granted in the bill to pattern this program after private property damage insurance programs, where the amount of insurance exposure accepted by the companies exceeds by many times the insured losses incurred by such companies. Higher risks must pay correspondingly higher fees for protection under the flood-insurance program envisioned in this bill. Statutory limits are placed on the amount of Federal flood insurance available to any person, corporation, or public body. Minimum loss deductible provisions are required by statute. The agency administering the program may also require minimum coinsurance provisions similar to the practice followed by private insurance companies; so that any insured failing to meet the coinsurance minimum will receive only a partial recovery of loss in the event of a partial loss inflicted on the property insured. Under the bill the Commissioner in charge of the program will first compute a schedule of estimated rates for insurance which, if collected over a reasonable period, would be sufficient to pay insured losses. Lest this result in a schedule at too high a level to permit sale of policies, the Commissioner is authorized to fix a lower schedule of fees to be charged to the insured. However, under the bill no insurance policy can be issued for a fee less than 60 percent of the corresponding estimated rate. This provision serves as an added limitation on the amount of subsidy to which the Government will be required to expose itself to under the act. Provisions are included to discourage unwise use of floodable areas. All these features serve to control the total financial liability to which the Federal Government would be exposed by this program.

SCOPE OF PROGRAM

The bill authorizes coverage of real and personal property owned privately or by public bodies against loss due to flood as defined in the bill. The term "flood" is broadly defined to include the water component of any severe storm as well as rising waters and abnormally high tidal water, and the Commissioner is authorized to assign such other specific meaning to the generic term "flood" as he may prescribe by regulation. Specifically, the bill defines "flood" to include "any flood, tidal wave, wave wash or other abnormally high tidal water,

deluge, or the water component of any hurricane or other severe storm, landslide due to excess moisture" and such other meaning as the Commissioner may prescribe by regulation.

It is in these types of natural perils that the lack of private insurance programs is most notable. This is particularly true in the instance of damage to real property. However, there are many kinds of personal property for which flood insurance is not presently available, despite coverage offered by private insurance companies in such fields as motor vehicles, personal property "floaters," merchandise in transit or on consignment, cargo, tugs, and warehoused goods.

The bill authorizes insurance coverage against flood damage for property located in the United States, its Territories, possessions and the Commonwealth of Puerto Rico.

It will be noted that this bill provides authority for operating insurance and reinsurance programs only against the peril of flood as defined in the bill. However, in recognition of the desirability of studying the feasibility of extending insurance coverage to certain other types of natural disaster, the bill directs the Commissioner to undertake a continuing study of the practicality of extending such coverage to any one or more natural disaster perils other than floods, against which insurance protection is not generally or practically available in all geographical locations from other public or private sources. The Commissioner is directed to continue these studies for the period during which such insurance protection is not available. It is not the intention of your committee that the Commissioner arrange for studies of insurance against natural disaster perils in those circumstances where such insurance is available from other public or private sources. If, however, any such insurance, having been written by public or private sources, ceases to be available in any geographical location, the Commissioner is expected to study the feasibility of restoring the availability of insurance protection to that location with the aid of Federal direct insurance or reinsurance.

NONCOMPETITIVE NATURE OF PROGRAM

Under the express provisions of this bill, no insurance can be written by the Federal Government covering risks against which insurance is available on reasonable terms from other public or private sources. This program is not intended to compete with private insurance companies. It is only because such companies will not venture into the general field of flood insurance that legislation of the type proposed is required at all. The bill also requires the Federal Government to encourage the entry of private insurance companies into this field by offering Federal reinsurance within the limits outlined in the proposed legislation.

OPINION OF INSURANCE REPRESENTATIVES

Testimony given by representatives of the insurance industry may be summarized by stating that after careful and thorough study of the problems involved, private insurance companies do not believe it feasible to write flood insurance generally as a commercial venture for profit. The reasoning leading to their conclusion is stated succinctly in the May 1952 Report on Floods and Flood Damage issued

by the Insurance Executives Association (now identified as the American Insurance Association):

Because of the virtual certainty of the loss, its catastrophic nature, and the impossibility of making this line of insurance selfsupporting due to refusal of the public to purchase such insurance at the rates which would have to be charged to pay annual losses, companies generally could not prudently engage in this field of underwriting.

This is not to say, however, that the Federal Government should not undertake a program designed to reimburse, at least in part, property damage caused by flood, using fees paid by the potential victims to aid in making this reimbursement. Such a program is authorized by this bill.

The ability of the Federal Government to undertake such a program, in contrast to the apparent inability of private insurance companies to do so, may be accounted for by the following factors:

- (1) The Government need not seek a profit from the program;
- (2) The Government already suffers tax losses from flood damage that would be decreased if such damage was reimbursed;
- (3) As a public service, the Government can provide such subsidy as may prove to be needed to make the program work, especially by lowering fees charged to levels making possible the purchase of protection by potential flood victims; and
- (4) Government credit is ample to enable it to meet a sudden catastrophic insured flood loss that would bankrupt a private insurance company; and future program fees collected would become available to repay funds raised through use of Government credit.

In testimony given to your committee's Subcommittee on Securities, the chairman of a special committee to study floods and flood damage appointed by the American Insurance Association (successor organization to that which issued the May 1952 report quoted in part above) on February 21, 1956, replied to a question as to whether insurance companies would object to the Federal Government engaging in flood insurance against property damage. He said:

I would not want to quite say, Senator, that we would have no objection, because we recognize that the same potential inheres in a flood insurance program, so-called, as to future possible encroachment on business that we do write as inherited, say, when the crop-insurance program was conceived. * * * but that, having decided that we cannot as private industry engage in flood insurance as such, we have forfeited our right to object to the Government doing it if Congress elected to embark on a program (pt. 2, Federal Disaster Insurance hearings, p. 1059).

The witness stated that the American Insurance Association, for which he was testifying, was composed of companies that write about 80 percent of the fire insurance written by capital stock fire insurance companies and that the latter in turn write over 80 percent of the total of fire insurance written in this country, its Territories, and possessions. These are the companies which write such limited flood insurance as is available, and would be those most likely to expand

in the flood insurance field if this were decided to be done by private insurance companies. The reliable testimony of one speaking for such an association therefore deserves great weight.

The representative of the American Mutual Alliance, composed of 118 mutual property insurance companies in the fire and casualty business, writing insurance programs on an annual basis in excess of a billion dollars a year, testified to your committee's Subcommittee on Securities on February 21, 1956, that—

* * * our companies * * * are very much concerned with this problem, and have been studying it, and do not quite share the extreme pessimism with respect to the possibilities of insurance which other witnesses have evidenced. However, we must admit that while we think this is a challenge to the insurance business, we have no immediate solution to the challenge (pt. 2, Federal Disaster Insurance Hearings, *supra*, p. 1117).

He continued:

In my previous testimony and again today I point out that we would like to see private insurance develop an interest and an ability to operate in this field and suggest that if it should be decided that some form of Government insurance is desirable that that be developed and situated so that eventually private insurance might operate within the area. * * * And again we offer the services of our companies and their forces in the development of any program that the Congress should see fit to enact, either in the placement of insurance or in the handling of claims (pt. 2, Federal Disaster Insurance Hearings, *supra*, p. 1119).

Speaking for the Associated Factory Mutual Fire Insurance Companies, consisting of eight mutual companies specializing in insuring industrial property, but also writing insurance against mercantile and institutional risks, their representative on February 19, 1956, told your committee's Subcommittee on Securities:

We are still studying the possibility of making flood insurance available to factory mutual policyholders. Our research has not established whether or not this hazard is insurable for the plants we currently insure, even though proper underwriting safeguards are incorporated in the plan. * * * Obviously, any program of flood insurance, whether public, private, or a combination of the two, must be actuarially (sic) sound. Any plan which simply provides Government relief for flood victims should not be disguised as "insurance." * * * Any program of flood insurance should be designed to use to the greatest extent possible present insurance facilities. In common with the remainder of the private insurance industry, we would be glad to cooperate in every way in the administration of any program which Congress may enact (pt. 2, Federal Disaster Insurance Hearings, *supra*, pp. 1020 and 1021).

The National Association of Insurance Agents, an organization of over 32,000 member agencies producing and servicing property and casualty insurance in every section of the United States and its

Territories, filed a letter dated February 20, 1956, with your committee's Subcommittee on Securities. It is included in part 2 of the Federal Disaster Insurance hearings, supra, at page 1213. Noting the members' and officers' acute awareness of the suffering and misery caused by recent floods throughout the various sections of the United States, the letter refers to the association's historic position against the entry of Government into fields that impinge on the rightful activities of private business. It continues:

While we would like at this time to reiterate our historic position in this regard, we nevertheless realize that you are attempting to solve a problem of unusual perplexity, difficulty, and urgency.

Our underwriters, the private insurance companies, after lengthy study have concluded that the writing of specific flood insurance is not commercially feasible. Largely because of this, the Congress is considering certain plans and proposals to establish a plan of indemnity to provide the citizens of the United States with some relief in the event they suffer damage from catastrophic floods.

While this association of producers regrets the apparent need for the Government to consider entering this field, we wish to state that in the event Congress adopts a program of flood indemnification, we will be pledged to full cooperation, as we did in the war damage insurance program.

The National Association of Mutual Insurance Agents, through one of its officers, filed a statement for the record, which appears in part 2, Federal Disaster Insurance Hearings, supra, page 1105. That statement begins—

Potential victims of disasters can and must be afforded some means of protection against catastrophic occurrences of natural and unforeseeable origin.

This is given as the conclusion of the 6,000 members of the association as expressed by its public committee on catastrophe insurance on December 15, 1955. The association believes—

This major problem facing the Nation can be solved through the intelligent cooperation of American free private enterprise and the Government.

Recommending that insurance against catastrophic loss be included in all property policies, the association urges that reinsurance be afforded through a Government created corporation similar to the War Damage Corporation for hazards not presently covered by the insurance industry; a portion of such exposures to be assumed by the industry. The statement concludes—

We, the National Association of Mutual Insurance Agents stand ready, willing, and anxious to lend a hand in solving these problems for the American public.

The foregoing is a summation of the testimony given by representatives of private enterprises that issue or service property insurance policies. In essence, they say that while they may not be happy about

the prospect, they will cooperate with the Federal Government if it decides to provide flood insurance in areas where it is not now offered by private insurance companies.

SECTION-BY-SECTION ANALYSIS OF S. 3732

SHORT TITLE

Section 1 gives the bill the short title of "Federal Flood Insurance Act of 1956."

FINDINGS AND DECLARATION OF PURPOSE

Section 2 notes that flood insurance against property damage is not generally available from public or private sources; and presents the need for a Federal program in this field operating along the lines of direct Federal insurance or Federal reinsurance of policies issued by private insurance companies.

FEDERAL FLOOD INSURANCE ADMINISTRATION

Section 3 forms a new constituent agency within the Housing and Home Finance Agency. Named the Federal Flood Insurance Administration, it will be headed by a Commissioner appointed by the President and confirmed by the Senate. The Commissioner will control the operating policies of the Administration but the Housing and Home Finance Administrator will be responsible for its general supervision and coordination of its functions with other parts of HHFA. To avoid duplication of facilities, HHFA will provide administrative services to FFIA where practicable. The Government Corporation Control Act is made applicable to the new agency. The Commissioner is to maintain a system of accounts audited annually by GAO, but the Commissioner's decision on issuance of policies and reinsurance agreements and vouchers will be final and conclusive.

AUTHORITY TO INSURE AND REINSURE

Section 4 authorizes the Commissioner to insure and reinsure against loss resulting from damage to real or personal property due to flood within the United States, its Territories, and possessions. The property covered may be owned privately or by a State or local government. The Commissioner is authorized to prescribe the terms and conditions of such coverage. He is also authorized to establish coinsurance requirements.

ESTIMATED RATES AND FEES

Section 5 (a) contains the important provision setting forth the method of computing the fee which is to be paid by the insured for the protection authorized by this bill. It requires the Commissioner to compute a schedule of estimated rates for Federal insurance which, if collected, would be sufficient, over a reasonable period of years, to pay all insured losses. These rates need not include any amount for profit and could not include any administrative expenses of the program. However, the subsection does not require the Commissioner

to collect the full amount of these rates from the insured. Using the estimated rates so computed as a basis, the subsection authorizes the Commissioner to fix a lower schedule of fees to be paid by the insured. This schedule of fees is to represent a reasonable cost for protection and is to be designed to achieve marketability of the policies. The fees are to be uniform for similar risks within a given classification of property. To limit the Government subsidy, the subsection expressly provides that no insurance policy shall be issued for a fee less than 60 percent of the corresponding estimated rate. The Commissioner may classify fees according to property use, the degree of availability of insurance from private sources, and the economic ability of the prospective insured to self-insure or to join in a reciprocal insurance arrangement involving a form of reinsurance.

Section 5 (b) authorizes the Commissioner to negotiate fees for reinsurance offered under the bill. These are to be sufficient over a reasonable period of years to pay all claims for losses under reinsurance agreements. They do not include any amount for administrative expenses and need not include any amount for profit. However, no express subsidy provision is written into this subsection similar to that provided in subsection (a) of section 5.

PROPERTY AND LOSS LIMITS

Section 6 empowers the Commissioner to determine the types and location of property covered by the programs under this bill, the nature and limits of loss and damage in any area, and other necessary matters.

RISK CLASSIFICATION

Section 7 authorizes the Commissioner to make appropriate regulations as to the classification, limitation, and rejection of risks.

POLICY AND PROGRAM LIMITS

Section 8 (a) limits the face amount per policy to \$250,000 per person but provides that insurance per dwelling unit, including structures and personal property connected therewith, cannot exceed \$10,000.

Section 8 (b) authorizes the Commissioner to issue regulations as to coverage available to joint owners and subsidiary and affiliated corporations.

Section 8 (c) requires a loss deductible clause in each policy issued by the Commissioner providing that the insured must bear the burden of the first \$100 of an approved claim plus 5 percent of the remainder of the claim as a minimum. A larger amount or percentage may be specified by the Commissioner when the policy is issued, taking into consideration the class of risk involved.

Section 8 (d) places a limit on the Federal Government's total exposure under this bill. It provides that the face amount of policies and reinsurance agreements outstanding at any one time shall not exceed \$3 billion (plus \$2 billion if the President deems it necessary) minus all claims approved under policies and reinsurance agreements issued under the bill plus fees collected. The subsection expressly provides that the face amount of a policy is deemed to be the original amount minus claims approved under the policy.

REINSURANCE REGULATORY AUTHORITY

Section 9 (a) grants the Commissioner power to issue regulations concerning reinsurance.

Section 9 (b) empowers him to approve the premium rate and terms and conditions of any policy reinsured.

Section 9 (c) empowers the Commissioner to encourage private insurance companies to issue flood-insurance policies covering that portion of the loss in excess of the limits authorized under Federal Government policies.

Section 9 (d) empowers the Commissioner to encourage the entry of private insurance companies into the flood-insurance field generally by offering a suitable Government reinsurance program.

NONDUPLICATION OF AVAILABLE INSURANCE

Section 10 (a) prohibits the issuance of insurance and reinsurance covering risks against which insurance is available on reasonable terms from other public or private sources.

Section 10 (b) prohibits the issuance of insurance or reinsurance on any property found by an appropriate public body to be in violation of State or local flood-zoning laws.

Section 10 (c) provides that after June 30, 1958, no insurance or reinsurance can be issued under the bill in any geographic location unless the appropriate public body shall have in force flood-zoning restrictions deemed necessary by the Commissioner.

USE OF OTHER PUBLIC AND PRIVATE FACILITIES

Section 11 (a) requires the Commissioner to use facilities of private organizations and persons authorized to engage in the insurance business and permits him to pay reasonable compensation for their services.

Section 11 (b) permits the Commissioner to use the services of other public agencies and pay reasonable compensation.

Section 11 (c) permits the Commissioner to exchange pertinent information with other public agencies and private insurance organizations.

Section 11 (d) authorizes the Commissioner to consult with other Federal, State, and local agencies to coordinate the insurance and reinsurance programs with flood-control and flood-zoning programs. The subsection directs Federal agencies controlling flood-control works to cooperate with the Commissioner. It further requires the Secretary of Agriculture and the Commissioner to coordinate their programs as they apply to farm commodities.

CLAIMS PAYMENT AND JUDICIAL REVIEW

Section 12 (a) directs the Commissioner to arrange for prompt payment of valid claims.

Section 12 (b) exempts claims from levy or other legal process.

Section 12 (c) grants a dissatisfied claimant recourse to the Federal district courts. He may begin suit within 1 year after receipt of notice of disallowance of a claim, in whole or in part.

FUNDS AND TREASURY BORROWINGS

Section 13 (a) provides for creation of a disaster insurance fund and a disaster reinsurance fund.

Section 13 (b) requires deposit of fees collected into the appropriate fund.

Section 13 (c) allows investment of fund moneys in United States obligations.

Section 13 (d) requires deposit of salvage proceeds into the appropriate fund.

Section 13 (e) allows the Commissioner to borrow from the United States Treasury up to \$500 million outstanding at any one time (or more if approved by the President). Borrowings are deposited into the disaster insurance fund or the disaster reinsurance fund in proportions deemed advisable by the Commissioner. Interest is due on amounts borrowed.

Section 13 (f) permits moneys in the respective funds to be used to pay approved claims and nonadministrative expenses, and to repay United States Treasury borrowings.

Section 13 (g) provides for payment of administrative expenses from appropriated funds.

ADVISORY COMMITTEE

Section 14 requires the Commissioner to appoint a 3- to 15-man advisory committee. It is to consist of persons familiar with insurance or reinsurance problems.

STUDIES

Section 15 (a) directs the Commissioner to undertake a study of the feasibility of extending insurance coverage to other types of natural disaster, if and while public or private insurance is not generally and practically available everywhere against such perils.

Section 15 (b) requires a study of private insurance company participation, to encourage flood-insurance coverage by private insurers with the aid of Federal reinsurance.

Section 15 (c) requires a study of the feasibility of having private insurance companies take over the programs authorized under this bill, either with or without Federal financial support.

ADDITIONAL FUNCTIONS

Section 16 grants the Commissioner powers needed to let his Administration function efficiently, similar to those usually possessed by corporations. These include powers (a) to sue and be sued, (b) to enter contracts, (c) to acquire property, (d) to employ civil-service employees paid pursuant to the Classification Act of 1949, (e) to conduct research and investigations, (f) to issue rules and regulations, and (g) to exercise powers necessary to carry out the bill's purposes.

RESERVATION OF RIGHTS IN REAL ESTATE ACQUIRED

Section 17 provides that State or local criminal or civil jurisdiction over real property and the civil rights of its inhabitants shall not be taken away due to the Commissioner's acquisition of such property.

TAXATION

Section 18 provides that the bill shall not be construed so as to exempt real property from ad valorem local taxation merely because it is acquired by the Commissioner in connection with any claim payment under the bill.

ANNUAL REPORT

Section 19 requires the HHFA annual report to cover comprehensively the operation of programs under the bill and the status and result of studies under section 15. It is also to include any legislative recommendation the Commissioner may have. The 1961 report is to include the Commissioner's opinion and findings as to the advisability of withdrawing Federal aid, in whole or in part, from future policies issued after June 30, 1962. An affirmative opinion is to be accompanied by legislative recommendations.

DEFINITIONS

Section 20 contains terms deemed to require specific definition.

Section 20 (a) defines "flood" to include any flood, tidal wave, wave wash, or other abnormally high tidal water, deluge, or the water component of any hurricane or other severe storm, landslide due to excess moisture, and such other meanings as the Commissioner may by regulation prescribe.

Section 20 (b) defines "person" to mean an individual, a group of individuals, a corporation, a partnership, an association, or any other organized group of persons, including State and local governments and their agencies.

Section 20 (c) defines "United States" to mean all States, District of Columbia, the Territories, possessions, and Puerto Rico, whenever the term is used in a geographical sense.

Section 20 (d) defines "State" to include each State, District of Columbia, the Territories, possessions, and Puerto Rico.

SEPARABILITY PROVISION

Section 21 protects the entire bill from failure in the event part of it is held invalid.

CHANGES IN EXISTING LAW

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (new matter is printed in italics, existing law in which no change is proposed is shown in roman):

GOVERNMENT CORPORATION CONTROL ACT

(December 6, 1945, ch. 557, title I, section 101, 59 Stat. 597,
as amended May 13, 1954, ch. 201, section 6, 68 Stat. 95)

* * * * *

TITLE I—WHOLLY OWNED GOVERNMENT CORPORATIONS

SEC. 101. As used in this chapter the term "wholly owned Government corporation" means * * * Federal Housing Administration; *Federal Flood Insurance Administration*; Saint Lawrence Seaway Development Corporation; * * *.



Calendar No. 1886

84TH CONGRESS
2D SESSION

S. 3732

[Report No. 1864]

IN THE SENATE OF THE UNITED STATES

APRIL 26, 1956

Mr. LEHMAN, from the Committee on Banking and Currency, reported the following bill; which was read twice and placed on the calendar

APRIL 26, 1956

Reported by Mr. LEHMAN, without amendment

A BILL

To provide insurance against flood damage, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Federal Flood Insurance
4 Act of 1956".

5 FINDINGS AND DECLARATION OF PURPOSE

6 SEC. 2. (a) The Congress finds that in the case of
7 recurring natural disasters, including recurring floods, in-
8 surance protection against individual and public loss is not
9 always practically available through private or public
10 sources. With specific reference to insurance against flood
11 loss, the Congress finds that insurance against certain losses

1 resulting from this peril is not so available. Since pre-
2 ventive and protective means and structures against the
3 effects of these disasters can never wholly anticipate the
4 geographic incidence and infinite variety of the destructive
5 aspects of these forces, the Congress finds that the safeguards
6 of insurance are a necessary adjunct of preventive and pro-
7 tective means and structures.

8 Inasmuch as these disasters impede interstate and
9 foreign commerce, hamper national defense, and cause wide-
10 spread distress and hardship adversely affecting the general
11 welfare, without regard to State boundary lines, and in the
12 absence of insurance protection from private or public
13 sources, the Congress ought to provide for such protection in
14 the case of flood, and study the feasibility and need for
15 similar programs in the case of other forms of natural dis-
16 aster against which insurance protection is not generally and
17 practically available in all geographical areas.

18 (b) (1) It is the purpose of this Act to authorize the
19 establishment of a program of Federal insurance and reinsur-
20 ance against the risks of loss resulting from flood as herein-
21 after defined, and to require a study and report on insurance
22 and reinsurance against still other natural disaster perils
23 to the extent that such insurance or reinsurance is not avail-
24 able on reasonable terms and conditions from other public
25 or private sources; and

1 (2) It is the purpose of this Act to encourage private
2 insurance companies to write insurance covering the extent
3 of the risk above the limits prescribed in section 8 (a) and
4 to provide Federal reinsurance to the extent desirable and
5 necessary to carry out this purpose.

6 FEDERAL FLOOD INSURANCE ADMINISTRATION

7 SEC. 3. (a) To carry out the functions authorized by this
8 Act, there is hereby created, as a constituent agency of and
9 within the Housing and Home Finance Agency, an agency
10 to be known as the Federal Flood Insurance Administra-
11 tion (hereinafter referred to as the "Administration"), which
12 shall be headed by a Federal Flood Insurance Commissioner
13 (hereinafter referred to as the "Commissioner") to be ap-
14 pointed by the President, by and with the advice and con-
15 sent of the Senate, who shall be paid at the same basic rate
16 of compensation established for the commissioners of the
17 other constituent agencies or units of the Housing and Home
18 Finance Agency. The operating policies of the Adminis-
19 tration shall be vested in the Commissioner, but the Housing
20 and Home Finance Administrator shall be responsible for
21 the general supervision of the Administration, and for the
22 coordination of the function of the Administration with the
23 functions of other constituent agencies and units of the Hous-
24 ing and Home Finance Agency. In the interest of avoid-
25 ing duplication of facilities, the Housing and Home Finance

1 Administrator shall, notwithstanding any other provision of
2 this Act, provide such administrative services to the Admin-
3 istration as he deems practicable.

4 (b) Section 101 of the Government Corporation Con-
5 trol Act, as amended, is hereby amended by inserting "Fed-
6 eral Flood Insurance Administration;" after "Federal Hous-
7 ing Administration;".

8 (c) In the performance of, and with respect to, the
9 functions, powers, and duties vested in him by this Act,
10 the Commissioner, notwithstanding the provisions of any
11 other law, shall maintain an integral set of accounts which
12 shall be audited annually by the General Accounting Office
13 in accordance with the principles and procedures applicable
14 to commercial transactions as provided by the Government
15 Corporation Control Act, as amended, and no other audit
16 shall be required: *Provided*, That such financial transactions
17 of the Commissioner as the issuing of insurance policies and
18 the making of reinsurance agreements, and vouchers ap-
19 proved by the Commissioner in connection with such financial
20 transactions, shall be final and conclusive upon all officers
21 of the Government.

22 AUTHORITY TO INSURE AND REINSURE

23 SEC. 4. To aid in carrying out the purposes of this Act,
24 the Commissioner is authorized to provide, upon such terms
25 and conditions (including coinsurance requirements) as

1 he may establish, insurance and reinsurance against loss
2 resulting from damage to or destruction of real or personal
3 property (including property owned by any State or local
4 government) due to flood, as hereinafter defined, occurring
5 within the United States.

6 ESTIMATED RATES AND FEES

7 SEC. 5. (a) The Commissioner shall from time to time
8 establish a schedule of "estimated rates" for insurance offered
9 under the provisions of this Act, which would be adequate, in
10 his judgment, to produce sufficient proceeds to pay all claims
11 for probable losses over a reasonable period of years. Such
12 "estimated rates" shall be used as a basis for determining
13 the fees to be paid by the persons insured. They shall be
14 based on consideration of the risks involved and shall be
15 uniform for similar risks within a given classification of
16 property. They shall not include any loading for adminis-
17 trative expenses of the Federal Government under this Act.
18 The Commissioner shall establish a schedule of fees to pro-
19 vide insurance protection at reasonable costs designed to
20 achieve marketability: *Provided*, That no insurance policy
21 shall be issued for a fee less than 60 per centum of such
22 "estimated rate". The Commissioner is authorized to estab-
23 lish such classifications of fees as he deems necessary to carry
24 out the purposes of this Act based on the use of the property
25 to be insured, the availability of insurance from private

1 sources covering such property, and the ability of the in-
2 sured to self-insure or reinsure and may establish such differ-
3 entials in levels of fees for such classifications: *Provided*, That
4 all such fees shall be uniform for similar risks within a given
5 classification of property. The Commissioner shall from time
6 to time pay into the Disaster Insurance Fund, hereinafter
7 created, an amount equal to the difference between the fees
8 charged for insurance policies issued and the amount which
9 would have been charged if the "estimated rates" were
10 applied.

11 (b) The Commissioner from time to time shall also
12 negotiate with insurance companies seeking reinsurance for
13 the purpose of establishing fees for reinsurance offered under
14 the provisions of this Act. Such fees shall be based on con-
15 sideration of the risks involved and shall be adequate, in the
16 judgment of the Commissioner, to produce sufficient pro-
17 ceeds over a reasonable period of years to pay all claims for
18 losses. The fees shall not include any loading for admin-
19 istrative expenses of the Federal Government under this
20 Act.

21 PROPERTY AND LOSS LIMITS

22 SEC. 6. The Commissioner is authorized to provide for
23 the determination of types and location of property with
24 respect to which insurance or reinsurance shall be made
25 available under this Act, the nature and limits of loss or

1 damage in any area (including subdivisions thereof) which
2 may be covered by such insurance or reinsurance, and such
3 other matters as may be necessary to carry out the purposes
4 of this Act.

5 RISK CLASSIFICATION

6 SEC. 7. The Commissioner may from time to time issue
7 appropriate regulations regarding the classification, limita-
8 tion, and rejection of risks assumed by him under authority
9 of this Act.

10 POLICY AND PROGRAM LIMITS

11 SEC. 8. (a) The outstanding face amount of insurance
12 issued by the Commissioner under this Act shall not exceed
13 \$250,000 per person: *Provided*, That the face amount of
14 such insurance on any dwelling unit (including any struc-
15 tures and personal property connected therewith) shall not
16 exceed \$10,000.

17 (b) The Commissioner may from time to time issue
18 appropriate regulations regarding insurance coverage avail-
19 able to joint owners and subsidiary and affiliated corporations
20 as he shall deem advisable to effectuate the purposes of this
21 Act.

22 (c) Each insurance policy issued by the Commissioner
23 shall contain a loss-deductible clause relieving him from any
24 liability for paying the first \$100 of a proved and approved
25 claim for loss, plus 5 per centum of the remainder, or such

1 larger amount or percentage as may be specified by the
2 Commissioner upon issuance of the insurance policy, taking
3 into consideration the class of risk involved.

4 (d) The face amount of insurance policies and rein-
5 surance agreements outstanding at any one time under this
6 Act shall not exceed \$3,000,000,000 (which limit may be
7 increased with the approval of the President by further
8 amounts not to exceed \$2,000,000,000 in the aggregate
9 if such increase is deemed advisable to effectuate the pur-
10 poses of this Act) minus the aggregate amount of claims
11 proved and approved under insurance policies and reinsur-
12 ance agreements issued under this Act, but plus fees col-
13 lected hereunder. For the purpose of applying this limita-
14 tion, the face amount of any policy or agreement shall be
15 deemed to be the original amount minus claims proved and
16 approved thereunder.

17 REINSURANCE REGULATORY AUTHORITY

18 SEC. 9. (a) The Commissioner is authorized to issue
19 such regulations regarding reinsurance under this Act as he
20 deems advisable in order to carry out the purposes of this
21 Act.

22 (b) The premium rate and terms and conditions of any
23 policy reinsured under the provisions of this Act shall be
24 subject to approval by the Commissioner.

25 (c) The Commissioner shall use his best efforts to

1 encourage private insurance companies to undertake the
2 issuance of insurance policies covering that portion of the
3 loss in excess of the limits specified in section 8 (a) of
4 this Act resulting from damage to or destruction of real or
5 personal property due to flood as defined in this Act. The
6 Commissioner may seek to achieve this end by offering a
7 program of appropriate reinsurance within the authority
8 granted him by this Act.

9 (d) Wherever practicable, the Commissioner may en-
10 courage, by offering suitable reinsurance subject to the pro-
11 visions of this Act, the issuance by private insurance com-
12 panies of policies insuring against loss resulting from damage
13 to or destruction of real or personal property due to flood.

14 NONDUPLICATION OF AVAILABLE INSURANCE

15 SEC. 10. (a) No insurance or reinsurance shall be issued
16 under the provisions of this Act covering risks against which
17 insurance is available on reasonable terms from other public
18 or private sources.

19 (b) No insurance or reinsurance shall be issued under
20 the provisions of this Act on any property declared by a duly
21 constituted State or local zoning authority, or other author-
22 ized public body, to be in violation of State or local flood
23 zoning laws.

24 (c) After June 30, 1958, no insurance or reinsurance

1 shall be issued under the provisions of this Act in any geo-
2 graphical location unless an appropriate public body shall
3 have adopted and shall keep in effect such flood zoning
4 restrictions, if any, as may be deemed necessary by the Com-
5 missioner to reduce, within practicable limits, damages from
6 flood in such location.

7 USE OF OTHER PUBLIC AND PRIVATE FACILITIES

8 SEC. 11. (a) In providing insurance or reinsurance
9 under this Act, the Commissioner shall use to the maximum
10 practicable extent the facilities and services of private organi-
11 zations and persons authorized to engage in the insurance
12 business under the laws of any State (including insurance
13 companies, agents, brokers, and adjustment organizations) ;
14 and the Commissioner may arrange for payment of reason-
15 able compensation therefor.

16 (b) In providing insurance or reinsurance under this
17 Act, the Commissioner may use the services of other public
18 agencies, and pay reasonable compensation therefor.

19 (c) The Commissioner may supply, receive from and
20 exchange with other agencies of the Federal Government,
21 State, local, and interstate commissions or agencies, and
22 private organizations experience in the fields of insurance or
23 reinsurance, such information as may be useful in the admin-
24 istration of the programs authorized by this Act.

25 (d) In carrying out the functions authorized in this Act,

1 the Commissioner may consult with other agencies of the
2 Federal Government and interstate, State, and local public
3 agencies having responsibilities for land use and flood con-
4 trol and for flood zoning and flood-damage prevention in
5 order to assure that the insurance and reinsurance programs
6 are consistent with the programs of such agencies. Where
7 the program of the Commissioner may affect existing or
8 proposed flood-control works under the jurisdiction of agen-
9 cies of the Federal Government these agencies shall cooperate
10 with the Commissioner in coordinating their respective pro-
11 grams. The Secretary of Agriculture and the Commissioner
12 shall coordinate the administration of their respective pro-
13 grams relating to flood insurance and reinsurance for agri-
14 cultural commodities.

15 CLAIMS PAYMENT AND JUDICIAL REVIEW

16 SEC. 12. (a) Under such regulations as the Commis-
17 sioner may prescribe, he shall arrange for prompt adjustment
18 and payment of valid claims for losses covered by insurance
19 or reinsurance under this Act.

20 (b) No claim under color of any insurance or reinsur-
21 ance made available under this Act shall be liable to attach-
22 ment, levy, garnishment, or other legal process before pay-
23 ment to the insured or the insurer, as the case may be, nor
24 shall any such claim be subject to reduction on account of
25 indebtedness of the insured or his estate, or the insurer, as

1 the case may be, to the United States, except claims of the
2 United States arising under this Act.

3 (c) Upon disallowance of any claim against the Com-
4 missioner under color of any insurance or reinsurance made
5 available under this Act, or upon refusal of the claimant to
6 accept the amount allowed upon any such claim, the claim-
7 ant may institute an action against the Commissioner on
8 such claim in the United States district court in which a
9 major portion (in terms of value) of the insured property
10 is located. Any such action must be begun within one year
11 after the date upon which the claimant receives from the
12 Commissioner written notice of disallowance or partial dis-
13 allowance of the claim. For the purposes of this section,
14 the Commissioner may be sued and he shall appoint one
15 or more agents within the jurisdiction of each United States
16 district court upon whom service of process can be made in
17 any action instituted under this section. Exclusive jurisdic-
18 tion is hereby conferred upon all United States district
19 courts to hear and determine such actions without regard to
20 the amount in controversy.

21 FUNDS AND TREASURY BORROWINGS

22 SEC. 13. (a) To carry out the purposes of this Act,
23 the Commissioner is authorized to establish two funds to be
24 known as the (1) Disaster Insurance Fund, and (2) Dis-
25 aster Reinsurance Fund.

1 (b) Into the Disaster Insurance Fund shall be de-
2 posited all insurance fees collected by the Commissioner for
3 insurance policies issued by him under this Act. Into the
4 Disaster Reinsurance Fund shall be deposited all fees col-
5 lected by the Commissioner in connection with reinsurance
6 made available by him under this Act.

7 (c) Moneys in each of the funds may be invested in
8 obligations of the United States or in obligations guaranteed
9 as to principal and interest by the United States. Such
10 obligations may be sold and the proceeds derived therefrom
11 may be reinvested as above provided if deemed advisable
12 by the Commissioner. Income from such investment or re-
13 investment shall be deposited in the respective fund from
14 which the investment was made.

15 (d) All salvage proceeds realized by the Commissioner
16 in connection with insurance made available under this Act
17 shall be deposited in the Disaster Insurance Fund; and all
18 salvage proceeds realized by the Commissioner in connection
19 with reinsurance made available under this Act shall be
20 deposited in the Disaster Reinsurance Fund.

21 (e) The Commissioner is authorized to issue to the
22 Secretary of the Treasury from time to time and have out-
23 standing at any one time, in an amount not exceeding
24 \$500,000,000 (or such greater amount as may be ap-
25 proved by the President) notes or other obligations in such

1 forms and denominations, bearing such maturities, and sub-
2 ject to such terms and conditions as may be prescribed by
3 the Commissioner, with the approval of the Secretary of
4 the Treasury. Such notes or other obligations shall bear
5 interest at a rate determined by the Secretary of the Treas-
6 ury, taking into consideration the current average rate on
7 outstanding marketable obligations of the United States of
8 comparable maturities as of the last day of the month pre-
9 ceding the issuance of such notes or other obligations. The
10 Secretary of the Treasury is authorized and directed to
11 purchase any notes and other obligations to be issued here-
12 under and for such purpose he is authorized to use as a
13 public debt transaction the proceeds from the sale of any
14 securities issued under the Second Liberty Bond Act, as
15 amended, and the purposes for which securities may be
16 issued under such Act, as amended, are extended to include
17 any purchases of such notes and obligations.

18 The Secretary of the Treasury may at any time sell any
19 of the notes or other obligations acquired by him under this
20 section. All redemptions, purchases, and sales by the Secre-
21 tary of the Treasury of such notes or other obligations shall
22 be treated as public debt transactions of the United States.
23 Funds borrowed under this section shall be deposited, in
24 such proportions as the Commissioner deems advisable, in

1 the Disaster Insurance Fund and the Disaster Reinsurance
2 Fund.

3 (f) Moneys in the Disaster Insurance Fund and the
4 Disaster Reinsurance Fund may be used for the following
5 purposes as deemed necessary by the Commissioner:

6 (1) To pay from the Disaster Insurance Fund proved
7 and approved claims for loss under, and other nonadminis-
8 trative expenses arising in connection with, insurance policies
9 issued by the Commissioner under this Act;

10 (2) To pay from the Disaster Reinsurance Fund proved
11 and approved claims under, and other nonadministrative
12 expenses arising in connection with, reinsurance agreements
13 entered into by the Commissioner under this Act; and

14 (3) To repay to the Secretary of the Treasury sums
15 borrowed from him in accordance with the provisions of sub-
16 section (e) of this section.

17 (g) All administrative expenses of the Federal Govern-
18 ment under this Act shall be paid from funds appropriated
19 by the Federal Government.

20 **ADVISORY COMMITTEE**

21 SEC. 14. In carrying out his functions under this Act,
22 the Commissioner shall appoint an advisory committee as
23 authorized by section 601 of the Housing Act of 1949, as
24 amended (68 Stat. 590, 645). Such committee shall con-

1 sist of not less than three nor more than fifteen persons
2 familiar with the problems of insurance or reinsurance, to
3 advise the Commissioner with respect to the formulation of
4 policies and the execution of functions under this Act.

5 STUDIES

6 SEC. 15. (a) The Commissioner shall undertake a con-
7 tinuing study of the practicability of extending the coverage
8 of insurance programs similar to those authorized under
9 this Act to any one or more natural disaster perils, other
10 than flood, against which, and for the period during which,
11 insurance protection is not generally and practically available
12 in all geographical locations from other public or private
13 sources.

14 (b) The Commissioner shall also undertake a continuing
15 study of participation by private insurance companies in the
16 programs authorized by this Act, in order that the protection
17 it authorizes can be provided, whenever practicable, through
18 insurance policies issued by private insurance companies and
19 reinsured with the Commissioner, in lieu of providing such
20 protection through insurance policies issued in the name
21 of the Commissioner.

22 (c) The Commissioner shall undertake a continuing
23 study of the feasibility of having private insurance companies
24 take over, with or without some form of Federal financial
25 support, the insurance programs authorized by this Act.

1 ADDITIONAL FUNCTIONS

2 SEC. 16. For the purpose of carrying out functions under
3 this Act the Commissioner may—

4 (a) sue or be sued;

5 (b) without regard to sections 3648 and 3709 of
6 the Revised Statutes, as amended (31 U. S. C. 529
7 and 41 U. S. C. 5), and section 322 of the Act of June
8 30, 1932 (47 Stat. 412, as amended (40 U. S. C.
9 278a)), enter into and perform contracts, leases, co-
10 operative agreements, or other transactions, on such
11 terms as he may deem appropriate, with any agency or
12 instrumentality of the United States, or with any State
13 or agency or political subdivision thereof, or with any
14 person, firm, association, or corporation and consent to
15 modification thereof, and make advance or progress pay-
16 ments in connection therewith;

17 (c) without regard to sections 3648 and 3709 of
18 the Revised Statutes, as amended (31 U. S. C. 529 and
19 41 U. S. C. 5), and section 322 of the Act of June
20 30, 1932 (47 Stat. 412, as amended (40 U. S. C.
21 278a)), by purchase, lease, or donation acquire such
22 real and personal property and any interest therein,
23 make advance or progress payments in connection there-
24 with, and hold, use, maintain, insure against loss, sell,
25 lease, or otherwise dispose of such real and personal

1 property as the Commissioner deems necessary to carry
2 out the purposes of this Act;

3 (d) appoint, pursuant to civil-service laws and reg-
4 ulations, such officers, attorneys, and employees as may
5 be necessary to carry out the purposes of this Act; fix
6 their compensation in accordance with the provisions of
7 the Classification Act of 1949, as amended; define their
8 authority and duties; provide bonds for such of them as
9 he may deem necessary; and delegate to them, and
10 authorize successive redelegations by them, of such of
11 the powers vested in him by this Act as he may deter-
12 mine;

13 (e) conduct researches, surveys, and investigations
14 relating to flood insurance and reinsurance and assemble
15 data for the purpose of establishing estimated rates, fees,
16 and premiums for flood insurance and reinsurance under
17 this Act;

18 (f) issue such rules and regulations as he deems
19 necessary to carry out the purposes of this Act; and

20 (g) exercise all powers specifically granted by the
21 provisions of this Act and such incidental powers as
22 are necessary to carry out the purposes of this Act.

23 RESERVATION OF RIGHTS IN REAL ESTATE ACQUIRED

24 SEC. 17. The acquisition by the Commissioner of any
25 real property pursuant to this Act shall not deprive any

1 State or political subdivision thereof of its civil or criminal
2 jurisdiction in and over such property or impair the civil
3 rights under the State or local law of the inhabitants on such
4 property.

5 TAXATION

6 SEC. 18. Nothing in this Act shall be construed to
7 exempt any real property, acquired and held by the Com-
8 missioner in connection with the payment of any claim under
9 this Act, from taxation by any State or political subdivision
10 thereof, to the same extent, according to its value, as other
11 real property is taxed.

12 ANNUAL REPORT

13 SEC. 19. The annual report made by the Housing and
14 Home Finance Administrator to the President for submission
15 to the Congress under existing law on all programs provided
16 for under this Act shall contain a comprehensive report con-
17 cerning (1) the operation of insurance and reinsurance pro-
18 grams authorized under this Act, and (2) the status and
19 result of studies authorized under section 15 of this Act,
20 together with such recommendations, if any, for legislative
21 changes deemed by the Commissioner desirable to improve
22 the operation of programs authorized under this Act. The
23 annual report for the calendar year ending December 31,
24 1961, shall contain an express opinion of the Commissioner,
25 supported by pertinent findings, concerning the advisability

1 of withdrawing in whole or in part Federal financial sup-
2 port for insurance policies to be issued at any time after
3 June 30, 1962, offering protection as authorized in this
4 Act, taking into consideration the desirability of offering such
5 protection. Such opinion shall be accompanied by recom-
6 mendations for legislative changes deemed desirable by the
7 Commissioner in the event the opinion is to the effect that
8 any such withdrawal of financial support is advisable.

DEFINITIONS

10 SEC. 20. As used in this Act the term—

(a) "Flood" includes any flood, tidal wave, wave wash, or other abnormally high tidal water, deluge, or the water component of any hurricane or other severe storm, landslide due to excess moisture, and shall have such other meaning as may be prescribed by regulation of the Commissioner.

(b) "Person" means an individual or group of individuals, corporation, partnership, association, or any other organized group of persons, including State and local governments and agencies thereof;

(c) “United States”, when used in a geographic sense, means the several States, the District of Columbia, the Territories, the possessions, and the Commonwealth of Puerto Rico; and

25 (d) “State” includes the several States, the District of

1 Columbia, the Territories, the possessions, and the Common-
2 wealth of Puerto Rico.

3 SEPARABILITY PROVISION

4 SEC. 21. If any provision of this Act or the application
5 of such provision to any person or circumstances shall be
6 held invalid, the remainder of the Act and the application of
7 such provision to any person or circumstance other than those
8 as to which it is held invalid shall not be affected thereby.

A BILL

To provide insurance against flood damage, and
for other purposes.

By Mr. LEHMAN

APRIL 26, 1956

Read twice and placed on the calendar

APRIL 26, 1956

Reported without amendment

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(For Department Staff Only)

Issued May 1, 1956
For actions of April 30, 1956
84th-2nd. No. 70

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HIGHLIGHTS: House committee reported soil bank bill. House committee ordered reported two tobacco bills relating to quotas on harvested basis, and proclamation of quotas for flue-cured and other tobaccos. Rep. Dingell introduced and discussed food stamp bill.

HOUSE

1. FARM PROGRAM. The Agriculture Committee reported without amendment H. R. 10875, a new farm bill. The bill is identical with H. R. 12 (which was vetoed by the President) except that it omits provisions for price supports at 90% of parity, dual parity, special provisions for dairy supports, and the two-price plans for wheat and rice (H. Rept. 2077). pp. 6542, 6550
2. TOBACCO. The Agriculture Committee ordered reported H. R. 9475, to provide for the proclamation of marketing quotas for tobacco as December 1 for flue-cured tobacco and February 1 for other kinds of tobacco; and H. R. 10108, to provide for the determination of penalties based on a harvested basis of tobacco, rather than a marketed basis. p. D414
3. RUBBER. Received from the President a message on the Nation's rubber requirements and resources (H. Doc. 391); to the Armed Services Committee. p. 6535

SENATE

4. RECLAMATION. Agreed to a motion by Sen. Anderson to reconsider the vote on S. 2206, providing for the construction and operation of the Ainsworth unit of the Missouri River Basin project, which was passed April 26. Further agreed to

discharge the Interior and Insular Affairs Committee from further consideration of H. R. 9132, a similar bill; passed H. R. 9132 after substituting for its text the language of S. 2206; and agreed to the indefinite postponement of S. 2206. p. 6496

Passed as reported S. 1622, to authorize payments for certain improvements located on public lands in the Rapid Valley unit, S. Dak., of the Missouri River Basin project. p. 6512

Passed without amendment H. R. 1603, to terminate the prohibition against the employment of Mongolian labor in the construction of reclamation projects. p. 6513. This bill is now ready for the President.

Passed without amendment H. R. 8535, to amend the act of July 4, 1955 (relating to the construction of irrigation distribution systems), ^{including} provisions to require, prior to the consummation of a loan, the transfer to the Government of titles to systems and rights-of-way held or acquired by the borrowers; to authorize only revocable permits across any Government lands; and to require that rights-of-way granted to borrowers be brought within the regular provisions of law regarding rights-of-way across Government lands. p. 6506 This bill is now ready for the President.

Sen. Langer inserted a local Farm Development Committee resolution urging the establishment of an irrigation development farm in N. Dak. p. 6488

Sen. Langer inserted a local Crop Improvement Assoc. resolution urging the establishment of an irrigation demonstration farm in N. Dak. p. 6489

5. FLOOD INSURANCE. At the request of Sen. Bible passed over S. 3732, to provide for insurance against flood damage. p. 6513

6. ELECTRIFICATION. At the request of Sen. Ervin passed over S. 1574, to provide for payments to owners of non-Federal water-use facilities for hydro-electric-power benefits realized by the U. S. therefrom. p. 6513

Sen. Langer inserted a local Farmers Union resolution protesting against "the plan of the Hoover Commission in wanting to abolish the REA and set up a corporation in its place." p. 6489

Sen. Dirksen inserted a statement he had prepared relating to the accomplishments of the Illinois rural electrification cooperatives. p. 6505

7. SOIL CONSERVATION. Sen. Carlson inserted a report of a local Soil Conservation Committee on accomplishments in carrying out soil and water conservation practices. p. 6499

8. FOREIGN TRADE. Sen. Martin spoke in favor of the use of private investments for foreign economic development, and inserted statements supporting this position. p. 6502

Sen. Martin spoke in opposition to U. S. participation in the work of the Commission on International Commodity Trade, and inserted statements supporting this position. p. 6503

9. FARM PROGRAM. Sen. Aiken inserted an address recently given by Sen. Eastland on the problems of American agriculture and problems confronting the farmer. p. 6496

10. RESEARCH. Sen. Capehart inserted an address by the vice president of the Farm Journal on the importance of and accomplishments of agricultural research. p. 6504

11. ROADS. Agreed to a unanimous-consent request of Sen. Bible that H. R. 10660, the road bill, be considered both by the Public Works Committee and later by the Finance Committee before it is placed on the calendar. p. 6486

12. PERSONNEL. Received from the Interior Department a proposed bill to authorize

position of such improvements or their removal therefrom but shall not constitute an admission by the United States of the legitimacy of any such claim: *Provided*, That no part of any amount provided for in this act shall be paid or delivered to or received by any agent or attorney on account of services rendered in connection with these claims, and any such payment, delivery, or receipt shall, any contract to the contrary notwithstanding, be unlawful. Any person paying, delivering, or receiving such excess amount shall be guilty of a misdemeanor and, upon conviction thereof, shall be fined in a sum of not more than \$1,000.

The amendments were agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

TERMINATION OF PROHIBITION AGAINST EMPLOYMENT OF MONGOLIAN LABOR ON RECLAMATION PROJECTS

The bill (H. R. 1603) to terminate the prohibition against the employment of Mongolian labor in the construction of reclamation projects was considered, ordered to a third reading, read the third time, and passed.

CONVENTION OF GREAT LAKES FISHERIES—BILL PLACED AT FOOT OF CALENDAR

The bill (S. 3524) to give effect to the Convention on Great Lakes Fisheries signed at Washington, September 10, 1954, and for other purposes, was announced as next in order.

Mr. BARRETT. Mr. President, I wonder if we could be informed as to what the cost, annually, would be if the bill should be passed.

The ACTING PRESIDENT pro tempore. An explanation is requested of Senate bill 3524.

Mr. BIBLE. Mr. President, although I am a member of the Committee on Interstate and Foreign Commerce, I am not clear as to what the exact amount of the cost would be. I believe the commissioners under this particular Great Lakes convention between the United States and Canada serve without cost. I am informed that they serve without pay.

Mr. BARRETT. Mr. President, I ask that the bill go to the foot of the calendar.

The ACTING PRESIDENT pro tempore. The bill will go to the foot of the calendar.

AMENDMENT OF MERCHANT MARINE ACT, 1936, RELATING TO COMPUTATION OF 10-YEAR RECAPTURE PERIOD

The bill (H. R. 4118) to amend section 606 (5) of the Merchant Marine Act, 1936, relating to the computation of the 10-year recapture period was considered, ordered to a third reading, read the third time, and passed.

AUTHORIZATION FOR OFFICERS OF THE COAST AND GEODETIC SURVEY TO ACT AS NOTARIES

The Senate proceeded to consider the bill (S. 3266) to authorize officers of the Coast and Geodetic Survey to act as notaries in places outside the continental limits of the United States and in Alaska, which had been reported from the Committee on Interstate and Foreign Commerce, with amendments, on page 1, line 3, after the word "That", to strike out "in Alaska and"; in the same line, after the word "places", to strike out "beyond the continental limits of the United States" and insert "where the Coast and Geodetic Survey is serving which are not within the jurisdiction of any one of the several States"; and on page 2, line 3, after the word "acts", to insert "The powers hereby conferred shall be limited to acts performed in behalf of the personnel of the Coast and Geodetic Survey or in connection with the proper execution of the functions of that agency.", so as to make the bill read:

Be it enacted, etc., That, in places where the Coast and Geodetic Survey is serving which are not within the jurisdiction of any one of the several States, commanding officers of Coast and Geodetic Survey vessels, and such other officers of the Coast and Geodetic Survey as the Secretary of Commerce may designate, may exercise the general powers of the notary public in the administration of oaths for the execution, acknowledgment, and attestation of instruments and papers, and the performance of all other notarial acts. The powers hereby conferred shall be limited to acts performed in behalf of the personnel of the Coast and Geodetic Survey or in connection with the proper execution of the functions of that agency.

SEC. 2. No fee of any kind shall be paid to any officer for the performance of any notarial act herein authorized. The signature without seal together with indication of grade of any officer performing any notarial act shall be prima facie evidence of his authority.

The amendments were agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

The title was amended, so as to read: "A bill to authorize officers of the Coast and Geodetic Survey to act as notaries in places outside the United States."

BILL PASSED OVER

The bill (S. 3113) to amend section 9 (c) of the Merchant Ship Sales Act of 1946, as amended, was announced as next in order.

Mr. HRUSKA. Mr. President, may we have an explanation of the bill?

The ACTING PRESIDENT pro tempore. An explanation of Senate bill 3113, is requested.

Mr. ERVIN. Mr. President, since the chairman of the Committee on Interstate and Foreign Commerce is not present, I suggest that the bill go over to the next call of the calendar.

The ACTING PRESIDENT pro tempore. The bill will go over to the next call of the calendar.

FILING OF VESSEL UTILIZATION AND PERFORMANCE REPORTS

The bill (S. 3265) to amend title II of the Merchant Marine Act, 1936, as amended, to provide for filing vessel utilization and performance reports by operators of vessels in the foreign commerce of the United States was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That title II of the Merchant Marine Act, 1936, as amended (46 U. S. C. 1111-1127), is amended by inserting after section 212 (46 U. S. C. 1122), a new section 212 (A) to read as follows:

"SEC. 212. (A) The operator of a vessel in waterborne foreign commerce of the United States shall file at such times and in such manner as the Secretary of Commerce may prescribe by regulations, such report, account, record, or memorandum relating to the utilization and performance of such vessel in commerce of the United States, as the Secretary may determine to be necessary or desirable in order to carry out the purposes and provisions of this act, as amended. Such report, account, record, or memorandum shall be signed and verified in accordance with regulations prescribed by the Secretary. An operator who does not file the report, account, record, or memorandum as required by this section and the regulations issued hereunder, shall be liable to the United States in a penalty of \$50 for each day of such violation. The amount of any penalty imposed for any violation of this section upon the operator of any vessel shall constitute a lien upon the vessel involved in the violation, and such vessel may be libeled therefor in the district court of the United States for the district in which it may be found. The Secretary of Commerce may, in his discretion, remit or mitigate any penalty imposed under this section on such terms as he may deem proper."

SALE OF CERTAIN WAR-BUILT CARGO VESSELS

The joint resolution (H. J. Res. 513) to authorize the Secretary of Commerce to sell certain war-built cargo vessels and for other purposes was considered, ordered to a third reading, read the third time and passed.

INSURANCE AGAINST FLOOD DAMAGE—BILL PASSED OVER

The bill (S. 3732) to provide insurance against flood damage, and for other purposes, was announced as next in order.

Mr. BIBLE. Mr. President, I ask that the bill go over. It is the intention of the acting majority leader to make that bill the unfinished business at the conclusion of the call of the calendar.

The ACTING PRESIDENT pro tempore. The bill will be passed over.

BILL PASSED OVER

The bill (S. 1574) to provide for payments by the Secretary of the Interior to owners of non-Federal water-use facilities for hydro-electric-power benefits realized by the United States therefrom, and for other purposes, was announced as next in order.

Mr. ERVIN. I request that order No. 1887, Senate bill 1574, go over.

The ACTING PRESIDENT pro tempore. The bill will go over.

EXTENSION FOR 2 YEARS THE ADVISORY COMMITTEE ON WEATHER CONTROL

The bill (S. 2913) to extend for 2 years the Advisory Committee on Weather Control was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That section 10 (a) of the act entitled "An act to create a committee to study and evaluate public and private experiments in weather modification," approved August 13, 1953 (67 Stat. 559, 561), is amended by striking out "June 30, 1956" and inserting in lieu thereof "June 30, 1958."

PERMANENT CERTIFICATION FOR CERTAIN AIR CARRIERS

The bill (S. 3164) to amend section 401 (c) of the Civil Aeronautics Act of 1938 in order to authorize permanent certification for certain air carriers operating between the United States and Alaska was announced as next in order.

Mr. BARRETT. Mr. President, may we have an explanation of the bill?

Mr. ERVIN. Mr. President, there are certain airlines which have been operating between the United States and Alaska under a temporary system whereby they receive permits of a limited period of time, 3 years. They have been so operating for a number of years. The bill would give them permanent certificates, which are necessary in order to enable them to be financed properly. The bill is similar to the one the Senate passed the last year with respect to the so-called feeder lines in the United States. It puts the airlines to which I have referred on the same basis.

The ACTING PRESIDENT pro tempore. Is there objection to the present consideration of the bill?

There being no objection, the bill (S. 3164) was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That section 401 (e) of the Civil Aeronautics Act of 1938, as amended (49 U. S. C. 481 (e)), is amended by adding at the end thereof the following:

"(4) If any applicant who makes application for a certificate within 120 days after the date of enactment of this paragraph shall show that, from January 1, 1956, until the effective date of this paragraph, it, or its predecessor in interest was an air carrier continuous operating as such (except as to interruptions of service over which the applicant or its predecessor in interest had no control) under a temporary certificate of public convenience and necessity authorizing it to engage in air transportation with respect to persons, property, and mail between points in the continental United States and points in the Territory of Alaska, the Board, upon proof of such fact only, shall, unless the service rendered by such applicant during such period was inadequate and inefficient, issue a certificate or certificates of unlimited duration, authorizing such applicant to engage in air transportation with respect to persons, property, and mail between the terminal and intermediate points between which it or its predecessor so continuously operated between January 1, 1956, and the date of enactment of this paragraph."

REGULATION OF INTERSTATE TRANSPORTATION OF MIGRANT FARM WORKERS

The bill (S. 3391) to provide for the regulation of the interstate transportation of migrant farm workers, was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That section 203 (a) of part II of the Interstate Commerce Act, as amended (49 U. S. C. 303 (a)), is further amended by adding at the end thereof the following new subsections reading as follows:

"(22) The term 'carrier of migrant workers by motor vehicle' means any person, including any 'contract carrier by motor vehicle,' but not including any 'common carrier by motor vehicle,' who or which transports in interstate or foreign commerce at any one time three or more migrant workers to or from their employment by any motor vehicle other than a passenger automobile or station wagon, except migrant workers transporting themselves or their immediate families.

"(23) The term 'migrant worker' means any individual proceeding to or returning from employment in agriculture as defined in section 3 (f) of the Fair Labor Standards Act of 1938, as amended (29 U. S. C. 203 (f)), or section 3121 (g) of the Internal Revenue Code of 1954 (26 U. S. C. 3121 (g))."

SEC. 2. Section 204 (a) of part II of such act, as amended (49 U. S. C. 304 (a)) is amended by adding a new subsection as follows:

"(3a) Notwithstanding any other provision of section 203 (b), to establish for carriers of migrant workers by motor vehicle reasonable requirements with respect to comfort of passengers, qualifications and maximum hours of service of operators, and safety of operation and equipment. When such requirements are established, the term 'motor carrier' shall be construed to include carriers of migrant workers by motor vehicle in the administration of sections 204 (c); 205; 220; 221; 222 (a), (b), (d), (f) and (g); and 224."

SEC. 3. Section 13 (b) (1) of the Fair Labor Standards Act, as amended (29 U. S. C. 213 (b) (1)) shall not apply in the case of any employee with respect to whom the Interstate Commerce Commission has power to establish qualifications and maximum hours of service solely by virtue of section 2 of this act.

PERMANENT CERTIFICATION FOR CERTAIN AIR CARRIERS

The Senate proceeded to consider the bill (S. 3163) to amend section 401 (e) of the Civil Aeronautics Act of 1938 in order to authorize permanent certification for certain air carriers operating in Hawaii and Alaska, which had been reported from the Committee on Interstate and Foreign Commerce, with amendments, on page 1, line 9, after the word "service", to strike out "exclusively"; and on page 2, line 4, after the word "service", to strike out "solely", so as to make the bill read:

Be it enacted, etc., That section 401 (e) of the Civil Aeronautics Act of 1938, as amended (49 U. S. C. 481 (e)), is amended by adding at the end thereof the following:

"(4) If any applicant who makes application for a certificate within 120 days after the date of enactment of this paragraph shall show that on such date it was an air carrier, furnishing service within either the Territory of Hawaii or the Territory of Alaska (including service between Alaska and adjacent Canadian territory) authorized by certificate or certificates of public convenience and necessity issued by the Civil Aeronautics Board

to render such service within such Territory, and that any portion of such service between any points or for any class of traffic was performed pursuant to a temporary certificate or certificates of public convenience and necessity issued by the Civil Aeronautics Board, the Board shall, upon proof of such facts alone, issue a certificate or certificates of indefinite duration authorizing such applicant to engage in air transportation within such Territory between the same points and in the same manner and for each such class of traffic as temporarily authorized by such certificate or certificates as of the date of enactment of this paragraph."

The amendments were agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

BILLS PASSED OVER

The bill (S. 3072) to require the inspection and certification of certain vessels carrying passengers was announced as next in order.

Mr. BARRETT. I ask that the bill go over.

The ACTING PRESIDENT pro tempore. The bill will be passed over.

The bill (H. R. 7952) to require the inspection and certification of certain vessels carrying passengers was announced as next in order.

The ACTING PRESIDENT pro tempore. That is a companion bill to Senate bill 3072.

Mr. BARRETT. Mr. President, I ask that the bill go over.

The ACTING PRESIDENT pro tempore. The bill will go over.

The bill (H. R. 483) to amend the Army-Navy-Public Health Service Medical Officer Procurement Act of 1947, as amended, so as to provide for appointment of doctors of osteopathy in the Medical Corps of the Army and Navy, was announced as next in order.

Mr. BARRETT. Over.

The ACTING PRESIDENT pro tempore. The bill will be passed over.

AMENDMENT OF UNITED STATES CODE RELATING TO FRAUD BY WIRE, RADIO, OR TELEVISION

The bill (S. 3674) to amend section 343 of title 18, United States Code, relating to fraud by wire, radio, or television, was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That section 1343 of title 18, United States Code is amended to read as follows:

"§ 1343. Fraud by wire, radio, or television.

"Whoever, having devised or intending to devise any scheme or artifice to defraud, or for obtaining money or property by means of false or fraudulent pretenses, representations, or promises, transmits or causes to be transmitted by means of wire, radio, or television communication in interstate or foreign commerce, any writings, signs, signals, pictures, or sounds for the purpose of executing such scheme or artifice, shall be fined not more than \$1,000 or imprisoned not more than 5 years, or both."

BILL PASSED OVER

The bill (S. 3108) to encourage the construction of modern Great Lakes

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(For Department Staff Only)

Issued
For actions of

May 10, 1956
May 9, 1956
84th-2nd. No. 76

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HIGHLIGHTS: Senate committee approved several amendments to farm bill. Sen. Gore criticized cotton export program. Sen. Ellender and Rep. Spence introduced bills to increase CCC borrowing authority.

SENATE

1. FARM PROGRAM. The "Daily Digest" states that the Agriculture and Forestry Committee met in executive session on H. R. 10875, the new farm bill, and approved the following amendments:
 - "(1) deleted provision for inclusion of field crops under the acreage reserve program;
 - "(2) deleted provision for inclusion of grazing lands in the acreage reserve program;
 - "(3) prohibited production of price-support crops in surplus supply on Government farmlands instead of any surplus agricultural commodity;
 - "(4) provided that soybeans and cottonseed would be supported at such level as would allow them to compete on equal terms on the market;
 - "(5) provided that the transitional parity price for the basic commodities would remain the same in 1957 and 1958;
 - "(6) provided a two-price plan for rice for 1957 and 1958, to be established in the discretion of the Secretary of Agriculture;
 - "(7) provided for rice acreage allotments in 1957 and 1958 equal to the 1956 national acreage allotment for rice;
 - "(8) adopted an export sales program for upland cotton;

"(9) provided that acreage reserve program may be established in 1956 as far as practicable;

"(10) provided for price reporting of forestry products;

"(11) provided that national acreage allotment for cotton in 1957 and 1958 would be allocated to the States as the national acreage allotment for cotton was allocated in 1956;

"(12) tentatively agreed to a further amendment that feed grains would be supported at 75.7 percent of parity in 1956, without the requirement that such producers participate in the soil bank; that feed grains be supported in 1957 at 5 percentage points below the level at which corn was supported in the commercial area and that to receive such price support producers must place in the acreage or conservation reserve an acreage of any cropland equal to 15 percent of their farm base acreage for feed grains; that if price support is extended to corn producers not in compliance with their acreage allotment or farm base acreage in 1957 a comparable level of support would be mandatory for feed grain producers who did not comply with their farm base acreage.....

"Committee meets tomorrow to take final action on the feed grain amendment (No. 12 above) to H. R. 10875." p. D450

Sen. Gore criticized the cotton export program and stated that it may be necessary to write into the new farm bill "provisions of law to facilitate the sale of surplus cotton abroad." p. 6949

2. FLOOD INSURANCE. Made S. 3732, to provide insurance against flood damage, its unfinished business. p. 6985
3. FLOOD CONTROL. Passed as reported S. 1358, to authorize modification of the flood control project for the Missouri River Agricultural Levee Unit 513-512, Neb. p. 6954
Sen. Kennedy inserted a Mass. Legislature resolution urging the establishment of proper flood control and a system of disaster insurance in Mass. p. 6930
4. INSPECTION. Passed without amendment H. R. 6769, to increase the existing limitations on the amount of funds which may be expended for facilities for the enforcement of the customs and immigration laws. p. 6954 This bill is now ready for the President.
5. CLAIMS; SEEDS. Agreed, without amendment, to S. Res. 252 which refers to the U. S. Court of Claims for a review and report H. R. 5285, to pay the Imperial Agricultural Crop. in full for claims against the U. S. for reimbursement of actual expenses incurred as the result of the failure of a crop of kenaf seed obtained from CCC. p. 6954
6. RESEARCH. Received from GSA a report on contracts negotiated for research and development purposes for the period July 1 through Dec. 31, 1955; to Government Operations Committee. p. 6930
7. FOREIGN TRADE. Received a letter from the American Tariff League opposing the enactment of H. R. 5550 relating to the administration of the General Agreement on Tariffs and Trade. p. 6930
8. ELECTRIFICATION. Sen. Carlson inserted a local REA co-op resolution opposing the adoption of the Hoover Commission recommendations on the reorganization of REA. p. 6931
9. FOREIGN AFFAIRS. The Foreign Relations Committee reported with amendments S. 3638, to promote the foreign policy of the U. S. by expanding the Information and

clude the filing of a timely incomplete return under circumstances which led the taxpayer to believe that no tax was due on amounts received under a settlement with the United States."

(b) The amendment made by this section shall apply only with respect to taxable years ending after December 31, 1948.

SEC. 3. Certain distributions in kind.

(a) Section 115 of the Internal Revenue Code of 1939 (relating to distributions by corporations) is hereby amended by adding at the end thereof the following new subsection:

"(n) Certain distributions in kind:

"(1) Notwithstanding any other provision of this section, a distribution of property by a corporation to its stockholders, with respect to its stock, shall be (except as provided in paragraph (2)) considered to be a distribution which is not a dividend (whether or not otherwise a dividend) to the extent that the fair market value of such property exceeds the earnings and profits of such corporation accumulated after February 28, 1913, and the earnings and profits of the taxable year (computed as of the close of the taxable year without diminution by reason of any distributions, except those described in subparagraphs (A), (B), and (C) of paragraphs (3), made during the taxable year) without regard to the amount of the earnings and profits at the time the distribution was made. The preceding sentence shall not prevent the application of subsection (d) to any such distribution.

"(2) In the case of a personal holding company a distribution in property shall not be a dividend to the extent it exceeds the earnings and profits of such corporation accumulated after February 28, 1913, to the beginning of the taxable year, plus the higher of the earnings and profits of the taxable year or the subchapter A net income of the taxable year, adjusted in accordance with paragraphs (1) through (3) of subsection (a), computed as of the end of the taxable year without reduction for any distributions made during the taxable year except those described in subparagraphs (A), (B), and (C) of paragraph (3), made during the taxable year.

"(3) This subsection shall apply to any distribution of property other than—

"(A) money.

"(B) inventory assets, as defined in section 312 (b) (2) of the Internal Revenue Code of 1954, or

"(C) distributions described in section 312 (j) of the Internal Revenue Code of 1954."

(b) The amendment made by this section to section 115 of the Internal Revenue Code of 1939 shall be effective as if it were a part of such section on the date of enactment of the Internal Revenue Code of 1939. No interest shall be allowed or paid in respect of any overpayment of tax resulting from the amendment made by this section.

SEC. 4. Application to poultry of tax on transportation of property.

(a) (1) Section 3475 of the Internal Revenue Code of 1939 (relating to the tax on the transportation of property) is amended by adding at the end thereof the following new subsection:

"(g) Poultry: The tax imposed by this section shall not apply to amounts paid for the transportation of poultry in continuous movement from the farm where the poultry was raised to a dressing plant, located within the local area of such farm, for processing."

(2) The amendment made by this subsection shall apply only with respect to amounts paid after November 30, 1942.

(b) (1) Section 4272 of the Internal Revenue Code of 1954 (relating to exemptions from the tax on the transportation of prop-

erty) is amended by adding at the end thereof the following new subsection:

"(f) Poultry: The tax imposed by section 4271 shall not apply to amounts paid for the transportation of poultry in continuous movement from the farm where the poultry was raised to a dressing plant, located within the local area of such farm, for processing."

(2) The amendment made by this subsection shall apply only with respect to amounts paid after December 31, 1954, for transportation which begins after such date.

(c) No interest shall be allowed or paid in respect of any overpayment of tax resulting from the amendments made by this section.

SEC. 5. Trademark and trade name expenditures.

(a) Part VI of subchapter B of chapter 1 of the Internal Revenue Code of 1954 is amended by inserting after section 176 thereof the following new section:

"SEC. 177. Trademark and trade name expenditures.

"(a) Election to amortize: Trademark or trade name expenditures paid or incurred after December 31, 1955, may, at the election of the taxpayer (made in accordance with regulations prescribed by the Secretary or his delegate), be treated as deferred expenses. In computing taxable income, such deferred expenses shall be allowed as a deduction ratably over such period of not less than 60 months after such expenditures are paid or incurred, as may be selected by the taxpayer.

"(b) Trademark and trade name expenditures defined: The term 'trademark or trade name expenditures' means any expenditure which—

"(1) is directly connected with the acquisition, protection, expansion, registration (Federal, State, or foreign) or defense of a trademark or trade name;

"(2) is chargeable to capital account; and

"(3) is not part of the consideration paid for a trademark, trade name, or business.

"(c) Time for and scope of election: The election provided by subsection (a) shall be made within the time prescribed by law for filing the return for the taxable year (including extensions thereof). The period so selected shall be adhered to in computing the taxable income of the taxpayer for the taxable year for which the election is made and all subsequent years."

(b) The table of sections of part VI of subchapter B of chapter 1 of the Internal Revenue Code of 1954 is hereby amended by inserting at the end thereof

"SEC. 177. Trade-mark and trade name expenditures."

(c) The amendments made by this section shall apply only with respect to taxable years beginning after December 31, 1955.

SEC. 6. Livestock sold on account of drought.

(a) Section 1033 of the Internal Revenue Code of 1954 (relating to involuntary conversions) is hereby amended by redesignating subsection (f) thereof as subsection (g) and by inserting after subsection (e) of such section the following new subsection:

"(f) Livestock sold on account of drought: The sale of livestock (other than poultry) held by a taxpayer for draft, breeding, or dairy purposes in excess of the number the taxpayer would sell if he followed his usual business practices shall be treated as an involuntary conversion to which this section applies if such livestock—

"(1) are held in an area—

"(A) in respect of which the President determines under the act of September 30, 1950, as amended (42 U. S. C. 1855-1855g), that a major disaster exists because of drought, and

"(B) which is found eligible by the Secretary of Agriculture for emergency assistance under section 2 (d) of the act of April 6,

1949, as amended (12 U. S. C. 1148a-2), or for relief under clause (2) of the fifth sentence of section 407 of the Agricultural Act of 1949, as amended (7 U. S. C. 1427), and

"(2) are sold (whether before or after such determination) by such taxpayer solely on account of such drought."

(b) The amendment made by this section shall apply only with respect to taxable years beginning after December 31, 1955.

The PRESIDING OFFICER. The question is on agreeing to committee amendment.

The amendment was agreed to.

The PRESIDING OFFICER. The bill is open to amendment. If there be no amendment to be proposed, the question is on the engrossment of the amendment and the third reading of the bill.

The amendment was ordered to be engrossed and the bill to be read a third time.

The bill was read the third time and passed.

The title was amended, so as to read: "An act to amend the Internal Revenue Codes of 1939 and 1954, and for other purposes."

CHANGE OF CONFeree ON H. R. 7030, PROVIDING FOR AN EXTENSION OF THE SUGAR ACT

Mr. BYRD. Mr. President, the Senator from Pennsylvania [Mr. MARTIN] has resigned as a conferee on H. R. 7030, providing for the extension of the Sugar Act, and I ask unanimous consent that the Senator from Colorado [Mr. MILLIKIN] be appointed in his place.

The PRESIDING OFFICER. Without objection, it is so ordered.

INSURANCE AGAINST FLOOD DAMAGE

Mr. JOHNSON of Texas. Mr. President, I move that the Senate proceed to the consideration of Calendar No. 1886, Senate bill 3732.

The PRESIDING OFFICER. The bill will be read by title for the information of the Senate.

The LEGISLATIVE CLERK. A bill (S. 3732) to provide insurance against flood damage, and for other purposes.

The PRESIDING OFFICER. The question is on the motion of the Senator from Texas.

The motion was agreed to; and the Senate proceeded to consider the bill.

LEGISLATIVE PROGRAM—RECESS

Mr. JOHNSON of Texas. Mr. President, I should like to announce for the information of the Senate that, following the disposition of Calendar No. 1886, Senate bill 3732, which has just been made the unfinished business, it is the purpose of the leadership to proceed to the consideration of Calendar No. 1896, Senate bill 3108, to encourage the construction of modern Great Lakes bulk cargo vessels; Calendar No. 1894, H. R. 483, to amend the Army-Navy-Public Health Service Medical Officer Procurement Act of 1947, as amended, so as to provide for appointment of doctors of osteopathy in the Medical Corps in the Army and Navy; and Calendar No. 1899,

H. R. 9429, to provide medical care for dependents of members of the uniformed services, and for other purposes.

The bills will be considered not necessarily in that order, Mr. President, but I should like the Senate to be on notice that the leadership has agreed to take up those bills.

It is not the intention to have any votes this evening. If no Senator desires to present any matter at this time, I shall move that the Senate take a recess until tomorrow.

Mr. President, I move that the Senate now stand in recess until 12 o'clock noon tomorrow. I suggest that if we may have a full day tomorrow and can dispose of all the measures which I have announced, it is possible that the Senate will go over until Monday.

I should like to give notice that such a motion may be made.

The PRESIDING OFFICER. The question is on the motion of the Senator from Texas.

The motion was agreed to; and (at 5 o'clock and 49 minutes p. m.) the Senate took a recess until tomorrow, Thursday, May 10, 1956, at 12 o'clock meridian.

NOMINATIONS

Executive nominations received by the Senate May 9 (legislative day of May 7), 1956:

NATIONAL SCIENCE BOARD

The following-named persons to be members of the National Science Board for terms of 6 years expiring May 10, 1962:

Laurence McKinley Gould, of Minnesota. (Reappointment.)

Paul M. Gross, of North Carolina. (Reappointment.)

George D. Humphrey, of Wyoming. (Reappointment.)

Frederick A. Middlebush, of Missouri. (Reappointment.)

Edward James McShane, of Virginia, vice John W. Davis, term expired.

Samuel Milton Nabrit, of Texas, vice Edwin B. Fred, term expired.

Julius A. Stratton, of Massachusetts, vice O. W. Hyman, term expired.

Edward Lawrie Tatum, of California, vice Earl P. Stevenson, term expired.

IN THE COAST GUARD

Joseph A. Kerrins for promotion to the permanent rank of rear admiral in the United States Coast Guard.

IN THE AIR FORCE

The following-named persons for appointment in the Regular Air Force, in the grades indicated, with dates of rank to be determined by the Secretary of the Air Force, under the provisions of section 506, Public Law 381, 80th Congress (Officer Personnel Act of 1947); title II, Public Law 365, 80th Congress (Army-Navy-Public Health Service Medical Officer Procurement Act of 1947); and section 307 (b), Public Law 150, 82d Congress (Air Force Organization Act of 1951), with a view to designation for the performance of duties as indicated:

To be major, USAF (Medical)

Francies Marshall

To be captains, USAF (Medical)

Francis X. Farrell

Jack R. Starrett, O946664.

To be captains, USAF (Dental)

Edward E. Davis, AO2240587.

Donald E. Kurth, AO1906888.

Edward J. Prejean, Jr., O427771.

Arthur J. Sachsels, AO1906183.

Charles W. Seamands, AO1906530.

Ira L. Shannon, AO1906564.

Milton D. Wyngarden

To be first lieutenants, USAF (Medical)

Charles M. Aaronson, AO3043103.

Donald W. Acker, AO741437.

Thorne J. Butler, AO3043222.

William H. Carranza, AO3043224.

George R. Cary, Jr.

Don L. Christensen, AO3043225.

John E. Eagleton, AO3043231.

Robert H. Edwards, O4022249.

Richard C. Froede, AO3043198.

John T. Hart, AO2218328.

James S. Harvin, AO3000787.

James H. Hockenberry, AO3043193.

Vernon L. James, Jr.

Kenneth M. Jensen, AO3043245.

Charles C. Keith, Jr., AO3043203.

Gregory B. Krivchenia

Charles K. Landrum, AO1856169.

Vernor F. Lovett, AO3043093.

William K. I. Manning, AO3043252.

John F. McCloskey, AO3043134.

Jay W. McRoberts

Gunter R. Meng

Robert T. Miller, AO3043254.

Edward H. Mills

David P. Minichan, Jr., AO2233026.

William J. Mitchell, AO3043255.

Patrick J. Moore, AO2217030.

Herbert A. Muller, Jr., AO3043256.

John T. Purvis, AO2261924.

Howard F. Rickenbach, Jr., AO3043267.

James A. Roman

Anthony N. Scalco

Richard H. Schwarz

John R. Scott, AO3043273.

Ferdinand L. Soisson, Jr., AO3042884.

Donald B. Strominger, AO3001639.

Irwin T. Taylor, AO3001894.

Fred K. Viren, AO3044156.

Forrest S. Warner, AO3041625.

Morgan E. Wing, AO2255714.

To be first lieutenants, USAF (Dental)

Clair W. Andrus

Stephen T. Braum

Norman L. Esterl

James A. Hitchens, AO3001090.

Carl E. Johnson, AO730268.

Edwin B. Rosen

Robert R. H. Sutherlin, AO3043654.

John J. Travis

Wallace T. Urata, AO981869.

To be first lieutenants, USAF (Veterinary)

Donald L. Anderson, AO2261570.

Charles F. Clause, AO3000154.

Ernest B. Rushing, Jr., AO3000240.

Otto S. Shill, Jr., AO3000710.

To be first lieutenants, USAF (Medical Service)

Merrill B. DeLong, AO1327517.

William G. Neubrand, AO2230004.

Francis J. Smith, AO2213609.

Myrl E. Wilson, AO2241093.

To be second lieutenants, USAF (Medical Service)

James E. Bousser, AO2262010.

Elwood E. Fisher, AO3013109.

Jeremiah R. Lynch, AO3001446.

William H. Newton, AO2262019.

Walter H. Williams, AO3000093.

The following-named persons for appointment in the Regular Air Force, in the grade indicated, with dates of rank to be determined by the Secretary of the Air Force, under the provisions of sections 101 (c) and 102 (c), Public Law 36, 80th Congress (Army-Navy Nurses Act of 1947), as amended by section 5, Public Law 514, 81st Congress, and Public Law 37, 83d Congress, with a view to designation for the performance of duties as indicated under the provisions of section 307, Public Law 150, 82d Congress (Air Force Organization Act of 1951):

To be first lieutenants, USAF (Nurse)

Joan M. Caddell, AN795815.

Mary J. Evans, AN2214423.

Margaret H. Maschino, AN2241704.

Margaret T. Merritt, AN2244419.

Virginia M. Niebauer, AN2241662.

Mary E. Roop, AN1912791.

Katherine I. Shealy, AN2242119.

Beatrice N. Toth, AN2242922.

Lois J. Wikoff, AN792691.

To be first lieutenants, USAF (Medical Specialist)

Carolyn E. Bobo, AR3001035.

Marian J. Hayton, AR2485.

The following-named cadets, United States Military Academy, for appointment in the Regular Air Force, in the grade of second lieutenant, effective upon their graduation, under the provisions of section 506, Public Law 381, 80th Congress (Officer Personnel Act of 1947). Date of rank to be determined by the Secretary of the Air Force:

Don Eugene Ackerman

Michael Houston Alexander

B. Conn Anderson, Jr.

Darrell Leslie Anderson

Gerald David Ankenbrandt

Robert Todd Barrett

Robert Chapman Beyer, Jr.

Robert Moulton Blocher

Stuart Waddington Bowen

Alfred Connor Bowman, Jr.

Robert Ellsworth Brown

Nicholas Joseph Bruno

Frank Albert Burd, Jr.

Edmund Dederick Burhans II

Dennis Lee Butler

Joel Richard Campis

Howard Ray Cannon

William Christi Carey

Darold Wendle Clonts

Thomas Joseph Cody, Jr.

James Arnold Cook

Roland Bertram Crase

Terry Wayne Creighton

William Penn Crum

Richard Joseph Daleski

Lee Armistead Denson, Jr.

Frederick Rodgers Dent III

Joseph Mark Dougherty

Paul Gustave Dougherty

Richard Patrick Dowell

Albert James Dye

Donald Lee Ernst

Theodore Martin Faurer

Hugh LaVerne Filbey

Norman Clark Folden, Jr.

Henry Ronald Gaude

James Harper Gordon

Robert English Grassberger

Merrill Anson Green, Jr.

Paul Hilger Greisen

John Martin Gromek

Alfred John Hallisey

Charles Rowland Hamm

John Arthur Hampton

Norris Brown Harbold, Jr.

Richard Henning Head

Joel Stanley Hetland

John Henry Higgins III

Alfred Hoffman, Jr.

Harold Gordon Holmquist

Gerald Lee Irwin

Paul Anthony Jakus

William Robert Jarmon

Douglas Stoddard Johnson

John Milton Kamm, Jr.

Lisle Greene Kendall, Jr.

Thomas Edward Kirchgessner

Harry Kotellos

Robert Douglas Krutz

Jerome Glen Lake

Kenneth Earl Lang

Samuel Murray Lansing

George Firmin Leonard

James Ambrose Linden

Aaron B. Loggins

Richard Wetzel Lorey

Neale Malcolm Luft

George Patrick Lynch, Jr.

Nicholas Alexander Mavrotherlis

Irwin Benton Mayer

Lester Stearns McChristian, Jr.

William Wallace McClung

James Stephen McMahon

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(For Department Staff Only)

Issued May 11, 1956
For actions of May 10, 1956
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HIGHLIGHTS: House Committee was granted permission to file report by Fri. midnight on USDA appropriation bill. House conferees on Second Supplemental appropriation bill were granted permission to file report by Fri. midnight. Both Houses received President's message requesting action in effecting Hoover Commission recommendations on budgeting and accounting practices. House Committee reported bill to base penalties on violations of tobacco allotments on a harvested basis. Senate passed flood disaster insurance bill. Sen. Ellender announced Committee was ready to report farm bill.

HOUSE

1. APPROPRIATIONS. Passed with/ ^{amendment} H. R. 10986, the Defense Department appropriation bill for 1957, by a vote of 377 to 0. p. 7125
At the request of Rep. Whitten, the Appropriations Committee was granted permission to file, by Friday midnight, its report on H. R. 11177, the agricultural appropriation bill for 1957. pp. 7165, D462
At the request of Rep. Cannon, the House conferees were authorized to file, by Friday midnight, the conference report on H. R. 10004, the second supplemental appropriations bill. pp. 7165, D462
2. TOBACCO. The Agriculture Committee reported without amendment H. R. 10108, to provide for the determination of penalties for tobacco acreage allotment violations on a harvested basis rather than a marketed basis (H. Rept. 2145). p. 7182
3. BUDGETING; ACCOUNTING. Both Houses received from the President a message urging Congressional cooperation in effecting certain of the Hoover Commission's recommendations on budgeting and accounting procedures (H. Doc. 401); to the Senate Government Operations Committee and the House Appropriations Committee. pp. 7051, 7164

4. RAISINS. Rep. Sisk cited the value and importance of the raisin industry and urged further research in the packaging and utilization of raisins. p. 7165
5. FORESTRY. Rep. Sikes urged greater research by the Forest Service in the problems of the hardwood forests of the South. p. 7167
6. PERSONNEL. Rep. Rogers expressed her opposition to the Bradley Commission's recommendations on veterans' benefits. p. 7166
7. LEGISLATIVE PROGRAM. The "Daily Digest" states that the legislative program for the period May 14-18 is as follows: Mon., District Pay and USDA appropriation bill; Tues. and balance of week, USDA appropriation bill and D. C. transportation system. p. D465
8. ADJOURNED until Mon., May 14. pp. 7165, 7181

SENATE

9. FARM PROGRAM. The "Daily Digest" states that the Agriculture and Forestry Committee, in executive session, "ordered favorably reported with amendments H. R. 10875, Agricultural Act of 1956 (soil bank). In addition to agreements reached on May 9 on provisions of this bill, the committee made additional amendments which would provide price supports for feed grains for the year 1956 at 76 percent of parity, and would make mandatory an acreage reserve program for corn for 1956." p. D459
Majority Leader Johnson announced the bill may be taken up on next Wed., and expressed a hope that the Senate will pass it Wed. or Thurs. p. 7119
Sen. Ellender announced that the Committee is ready to report the bill, and received permission for the Committee to file its report, including minority views, before midnight Fri., May 11. p. 7056
Sens. Byrd and O'Mahoney submitted amendments intended to be proposed to the bill. p. 7055
10. DISASTER INSURANCE. Passed with amendments, by a vote of 61 to 7, S. 3732, to provide for insurance against flood damage. p. 7073, 7087 (For a summary of the provisions of the bill see Digest 72).
11. FOREIGN AFFAIRS. Passed as reported S. 3638, to promote the foreign policy of the U. S. by expanding the Information and Educational Exchange program. p. 7074
12. ROADS. The Public Works Committee reported with amendment H. R. 10660, the road construction bill (S. Rept. 1965); the bill was then referred to the Finance Committee for consideration. p. 7053
13. NOMINATION. The Agriculture and Forestry Committee reported the nomination of Sam H. Bober to be a member of the Farm Credit Board, FCA. p. 7052
14. ECONOMIC REPORT. The Banking and Currency Committee reported with amendments S. 3332, extending the time for filing the report of the Joint Committee on the Economic Report (S. Rept. 1961). p. 7052
15. FORESTRY. The Agriculture and Forestry Committee reported without amendment S. 2967, authorizing the acquisition of additional land for the Superior National Forest, Minn. (S. Rept. 1962). p. 7052

VISIT TO THE SENATE BY A GROUP OF SWISS BUSINESSMEN

Mr. CAPEHART. Mr. President, I should like to have the honor of introducing to the Senate a group of businessmen from Switzerland, who are accompanied by a couple of ladies. These men are primarily in the electronics business, and are in this country purchasing electronic equipment, and are today paying their first visit to the United States Senate. [Applause.]

INSURANCE AGAINST FLOOD DAMAGE

The PRESIDING OFFICER (Mr. PAYNE in the chair). Is there further morning business? If not, the Chair lays before the Senate the unfinished business.

The Senate resumed the consideration of the bill (S. 3732) to provide insurance against flood damage and for other purposes.

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

CITATION OF ROBERT SHELTON FOR CONTEMPT OF THE SENATE

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 1954, Senate Resolution 253.

The PRESIDING OFFICER. Does the Chair understand that the Senator from Montana intends to ask unanimous consent that the unfinished business be temporarily laid aside so that the Senate may proceed to the consideration of Calendar No. 1954, Senate Resolution 253?

Mr. EASTLAND. Only temporarily, Mr. President, and also to permit the Senate to consider several other measures in sequence.

Mr. LEHMAN. Mr. President, the understanding is that the unfinished business will be only temporarily laid aside, and that I will be recognized immediately upon the conclusion of the remarks of the Senator from Mississippi; and at that time I intend to yield to the Senator from Montana, and also briefly to the Senator from Delaware.

The PRESIDING OFFICER. Is there objection to the unanimous-consent request of the Senator from Montana that the unfinished business be temporarily laid aside to permit the Senate to proceed to the consideration of several resolutions? The Chair hears none, and it is so ordered.

The first resolution referred to by the Senator from Montana will be stated by title for the information of the Senate.

The LEGISLATIVE CLERK. A resolution (S. Res. 253) certifying the refusal of Robert Shelton to testify before a subcommittee of the Senate Committee on the Judiciary.

The PRESIDING OFFICER. Is there objection to the present consideration of the resolution?

There being no objection, the Senate proceeded to the consideration of the resolution.

Mr. EASTLAND. Mr. President, Robert Shelton appeared before the Internal Security Subcommittee, pursuant to a subpoena, on Wednesday, December 7, 1955, and on Friday, January 6, 1956. Although the presiding Senator specifically directed him to answer certain pertinent questions, Mr. Shelton refused to do so.

Moreover, Mr. Shelton expressly declared that he was not invoking his privilege against self-incrimination under the fifth amendment.

As a result of Mr. Shelton's refusal to answer the questions propounded by the presiding Senator and by the chief counsel of the subcommittee, the Internal Security Subcommittee has been deprived of pertinent evidence which it was seeking to adduce within the scope of its authority.

Accordingly, the Committee on the Judiciary recommends that Robert Shelton be declared in contempt of the United States Senate.

The PRESIDING OFFICER. The question is on agreeing to the resolution.

The resolution (S. Res. 253) was considered and agreed to, as follows:

Resolved, That the President of the Senate certify under the seal of the United States Senate, to the United States attorney for the District of Columbia, the report of the Committee on the Judiciary of the United States Senate as to the refusal of Robert Shelton, before the Subcommittee To Investigate the Administration of the Internal Security Act and Other Internal Security Laws of the Committee on the Judiciary of the United States Senate, to answer questions pertinent to the subject matter under inquiry, together with all the facts in connection therewith, to the end that the said Robert Shelton may be proceeded against in the manner and form provided by law.

CITATION OF SEYMOUR PECK FOR CONTEMPT OF THE SENATE

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 1955, Senate Resolution 254.

The PRESIDING OFFICER. The resolution will be stated by title for the information of the Senate.

The LEGISLATIVE CLERK. A resolution (S. Res. 254) citing Seymour Peck for contempt of the Senate.

The PRESIDING OFFICER. Is there objection to the present consideration of the resolution?

There being no objection, the Senate proceeded to consider the resolution.

Mr. EASTLAND. Mr. President, Seymour Peck appeared before the Internal Security Subcommittee, pursuant to a subpoena, on Friday, January 6, 1956. Although the presiding Senator specifically directed him to answer certain pertinent questions, Mr. Peck refused to do so.

Moreover, Mr. Peck expressly declared that he was not invoking his privilege against self-incrimination under the fifth amendment.

As a result of Mr. Peck's refusal to answer the questions propounded by the presiding Senator and by the chief counsel of the subcommittee, the Internal Security Subcommittee has been deprived of pertinent evidence which it was seeking to adduce within the scope of its authority.

Accordingly, the Committee on the Judiciary recommends that Seymour Peck be declared in contempt of the United States Senate.

The PRESIDING OFFICER. The question is on agreeing to the resolution.

The resolution (S. Res. 254) was considered and agreed to as follows:

Resolved, That the President of the Senate certify, under the seal of the United States Senate, to the United States attorney for the District of Columbia, the report of the Committee on the Judiciary of the United States Senate as to the refusal of Seymour Peck, before the Subcommittee To Investigate the Administration of the Internal Security Act and Other Internal Security Laws of the Committee on the Judiciary of the United States Senate, to answer questions pertinent to the subject matter under inquiry, together with all the facts in connection therewith, to the end that the said Seymour Peck may be proceeded against in the manner and form provided by law.

CITATION OF PAULINE FEUER FOR CONTEMPT OF THE SENATE

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 1956, Senate Resolution 255.

The PRESIDING OFFICER. The resolution will be stated by title for the information of the Senate.

The LEGISLATIVE CLERK. A resolution (S. Res. 255) certifying the report of the Committee on the Judiciary regarding the refusal of Pauline Feuer to testify.

The PRESIDING OFFICER. Is there objection to the present consideration of the resolution?

There being no objection, the Senate proceeded to consider the resolution.

Mr. EASTLAND. Mr. President, Pauline Feuer appeared before the Internal Security Subcommittee, pursuant to a subpoena, on Thursday, April 5, 1956. Although the presiding Senator specifically directed her to answer certain pertinent questions, Mrs. Feuer refused to do so.

Moreover, Mrs. Feuer expressly declared that she was not invoking her privilege against self-incrimination under the fifth amendment.

As a result of Mrs. Feuer's refusal to answer the questions propounded by the presiding Senator and by the chief counsel of the subcommittee, the Internal Security Subcommittee has been deprived of pertinent evidence which it was seeking to adduce within the scope of its authority.

Accordingly the Committee on the Judiciary recommends that Pauline Feuer be declared in contempt of the United States Senate.

The PRESIDING OFFICER. The question is on agreeing to the resolution.

The resolution (S. Res. 255) was considered and agreed to as follows:

Resolved, That the President of the Senate certify, under the Seal of the United States

Senate, to the United States attorney for the District of Columbia, the report of the Committee on the Judiciary of the United States Senate, as to the refusal of Pauline Feuer before the Subcommittee to Investigate the Administration of the Internal Security Act and Other Internal Security Laws of the Committee on the Judiciary of the United States Senate, to answer questions pertinent to the subject matter under inquiry, together with all the facts in connection therewith, to the end that the said Pauline Feuer may be proceeded against in the manner and form provided by law.

CITATION OF ALDEN WHITMAN FOR CONTEMPT OF THE SENATE

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 1957, Senate Resolution 256.

The PRESIDING OFFICER. The resolution will be stated by title for the information of the Senate.

The LEGISLATIVE CLERK. A resolution (S. Res. 256) citing Alden Whitman for contempt of the Senate.

The PRESIDING OFFICER. Is there objection to the present consideration of the resolution?

There being no objection, the Senate proceeded to consider the resolution.

Mr. EASTLAND. Mr. President, Alden Whitman appeared before the Internal Security Subcommittee, pursuant to a subpoena, on Friday, January 6, 1956. Although the presiding Senator specifically directed him to answer certain pertinent questions, Mr. Whitman refused to do so.

Moreover, Mr. Whitman expressly declared that he was not invoking his privilege against self-incrimination under the fifth amendment.

As a result of Mr. Whitman's refusal to answer the questions propounded by the presiding Senator and by the chief counsel of the subcommittee, the Internal Security Subcommittee has been deprived of pertinent evidence which it was seeking to adduce within the scope of its authority.

Accordingly the Committee on the Judiciary recommends that Alden Whitman be declared in contempt of the United States Senate.

The PRESIDING OFFICER. The question is on agreeing to the resolution.

The resolution (S. Res. 256) was considered and agreed to, as follows:

Resolved, That the President of the Senate certify, under the Seal of the United States Senate, to the United States Attorney for the District of Columbia, the report of the Committee on the Judiciary of the United States Senate as to the refusal of Alden Whitman, before the Subcommittee To Investigate the Administration of the Internal Security Act and Other Internal Security Laws of the Committee on the Judiciary of the United States Senate, to answer questions pertinent to the subject matter under inquiry, together with all the facts in connection therewith, to the end that the said Alden Whitman may be proceeded against in the manner and form provided by law.

CITATION OF WILLIAM A. PRICE FOR CONTEMPT OF THE SENATE

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate

proceed to the consideration of Calendar No. 1958, Senate Resolution 257.

The PRESIDING OFFICER. The resolution will be stated by title for the information of the Senate.

The LEGISLATIVE CLERK. A resolution (S. Res. 257) citing William A. Price for contempt of the Senate.

The PRESIDING OFFICER. Is there objection to the consideration of the resolution?

There being no objection, the Senate proceeded to the consideration of the resolution.

Mr. EASTLAND. Mr. President, William A. Price appeared before the Internal Security Subcommittee, pursuant to a subpoena, on Thursday, January 5, 1956. Although the presiding Senator specifically directed him to answer certain pertinent questions, Mr. Price refused to do so.

Moreover, Mr. Price expressly declared that he was not invoking his privilege against self-incrimination under the fifth amendment.

As a result of Mr. Price's refusal to answer the questions propounded by the presiding Senator and by the chief counsel of the subcommittee, the Internal Security Subcommittee has been deprived of pertinent evidence which it was seeking to adduce within the scope of its authority.

Accordingly the Committee on the Judiciary recommends that William A. Price be declared in contempt of the United States Senate.

The PRESIDING OFFICER. The question is on agreeing to the resolution.

The resolution (S. Res. 257) was considered and agreed to as follows:

Resolved, That the President of the Senate certify the report of the Committee on the Judiciary of the United States Senate as to the refusal of William A. Price to answer questions before the Senate Subcommittee To Investigate the Administration of the Internal Security Act and Other Internal Security Laws of the Committee on the Judiciary of the United States Senate, said refusal to answer being pertinent to the subject matter under inquiry together with all the facts in connection therewith, under the seal of the United States Senate to the United States attorney for the District of Columbia, to the end that the said William A. Price may be proceeded against in the manner and form provided by law.

AMENDMENTS OF 1956 TO THE UNITED STATES INFORMATION AND EDUCATIONAL EXCHANGE ACT OF 1948

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 1978, S. 3638.

The PRESIDING OFFICER (Mr. LAIRD in the chair). The bill will be stated by title for the information of the Senate.

The LEGISLATIVE CLERK. A bill (S. 3638) to promote the foreign policy of the United States by amending the United States Information and Educational Exchange Act of 1948 (Public Law 402, 80th Cong.).

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill, which had been reported from the Committee on Foreign Relations with amendments on page 1, line 3, after the word "That", to strike out "(a) so much of"; in line 4, after "1948", to strike out "as precedes paragraph (1) thereof"; in line 5, after the word "amended", to strike out "to read as follows" and insert "by adding before the final period a semicolon and the following new subparagraph (d) to paragraph (2)"; after line 7, to strike out:

"SEC. 2. The Congress hereby declares that the objectives of this Act are to enable the Government of the United States of America to increase in other countries respect for and confidence in the United States, its purposes, its democratic practices, culture, and society, to increase mutual understanding, respect, and confidence between the people of the United States and the peoples of other countries, and to broaden the areas of cooperation between them in the educational exchange, cultural and information fields. Among other means in achieving these objectives, the Secretary of State is authorized to establish."

(b) Paragraph (2) of section 2 of such Act is amended to read as follows:

"(2) an educational exchange service to cooperate with other nations in—

"(a) the interchange of knowledge, skills, information, and experiences;

"(b) the interchange of technical and other services;

"(c) the interchange of developments in the field of education, the arts, sciences, and professions; and

On page 2, line 20, after the word "projects", to insert "for diffusion of knowledge which are"; in line 22, after the word "and", to strike out "the", and in the same line, after the word "countries"; to strike out "involved through diffusion of knowledge."; in line 24, after "(a)", to strike out "The heading of title II of such act is amended to read as follows:" and insert "Section 201 of such act is amended by inserting the following new sentence after the first sentence and by designating such two sentences as '(a)':"; on page 3, after line 3, to strike out:

TITLE II INTERCHANGE ON KNOWLEDGE, SKILLS, AND EXPERIENCE

(b) Section 201 of such act is amended to read as follows:

"Persons

"SEC. 201. (a) As a means of insuring interchange on a cooperative basis of leaders and potential leaders between the United States and other countries, the Secretary is authorized to provide for and otherwise facilitate programs for the exchange of (1) students and trainees; (2) teachers, fellows, and lecturers; (3) professors and research scholars; (4) specialists in any of the arts, sciences, trades, or professions; and (5) leaders of thought and opinion at the National, State, or local level. Such exchanges shall be for the purpose of long- or short-term study or practical training, teaching, lecturing, or research, and observation, consultation, or other experience or activity which may be essential to the successful operation of the programs and which will not deprive American citizens or aliens lawfully admitted for permanent residence of opportunities for gainful employment or professional training. The Secretary is also authorized to bring foreign nationals to the

Mr. SALTONSTALL. I announce that the Senator from Wyoming [Mr. BARRETT], the Senator from Maryland [Mr. BEALL], and the Senator from Idaho [Mr. WELKER] are necessarily absent.

The Senator from New York [Mr. IVES] is absent because of illness.

The Senator from Nevada [Mr. MALONE] is absent on official business.

The PRESIDING OFFICER. A quorum is present.

INSURANCE AGAINST FLOOD DAMAGE

The Senate resumed the consideration of the bill (S. 3732) to provide insurance against flood damage, and for other purposes.

Mr. LEHMAN. Mr. President, on behalf of the Banking and Currency Committee, I urge the enactment of S. 3732, the Federal Flood Insurance Act of 1956.

This bill was unanimously reported to the Senate by the committee, for which I am privileged to speak and over whose hearings on this proposed legislation I had the assignment of presiding.

The report of the committee is before the Senate. It is a comprehensive report. It states the case for the bill and describes the background of the bill, certainly better than I can in the course of the remarks I shall make today. I shall try not to duplicate too much of what is contained in the report.

There are also available to each Member copies of the two sets of very comprehensive hearings which the committee held, first on the general question of disaster insurance and on the nature and extent of the tragic floods which affected the Northeast and the east coast last year, and second, on the specific proposed legislation which was introduced at the beginning of the session to meet the need that was so clearly demonstrated in our hearings last fall.

Third, there is available for those Members who wish to look closely into this matter, a most exhaustive and authoritative staff study of the subject of disaster insurance, printed as Senate Report 1313.

There are available, in fact, all the known data and information that could be gathered together for presentation during the consideration of flood insurance legislation. No one, I think, can complain of a lack of background information and authoritative testimony, insofar as there is anywhere available such information and insofar as such authoritative testimony could be obtained.

During all of last fall I presided over hearings held in almost every one of the disaster areas. This year we held very detailed hearings on the proposed legislation which had been formulated by the administration and by the various unofficial experts whose services some of us in the Senate were able to mobilize.

From all these data and from all the legislative proposals which were before us, the Banking and Currency Committee has written a bill—a bipartisan bill, a bill reported by unanimous vote—for the consideration of the Senate. I hope

that consideration will be favorable and that the bill will be passed.

I had the privilege of working first very closely with the junior Senator from Massachusetts [Mr. KENNEDY] in the formulation of S. 3137. The Senator from Massachusetts brought to this task the benefit of the insight and experience which had been gained from the disasters which struck Massachusetts last year. Subsequently, I worked over a long period of time with the distinguished senior Senator from Connecticut [Mr. BUSH], a member of the Banking and Currency Committee, who shared with me the main burden of attendance at the many hearings we held and whose knowledge of this subject and eagerness to devise an operable flood-insurance program contributed greatly to the legislative proposal which is now before the Senate.

I would be less than truthful if I did not say that the task of writing a practical flood-insurance bill was a long and a most difficult one, and that many problems remain still unsolved in connection with this proposed legislation.

This is avowedly a pilot program designed to gain experience in this field, but at the same time it is designed to provide some protection for people who desperately need it.

At this point I should like to take a moment to speak generally about the urgent need for flood insurance.

As far back as our records go, this country has been intermittently plagued with floods. No State has escaped their devastation, although in particular areas their impact may be more pronounced at one time than at another.

Consider the most recent example, one with which I happen to be particularly familiar. Last summer the northeastern section of this country was visited by one of the most devastating floods in the records of the United States Weather Bureau. The deluge released by Hurricane Diane, falling on ground already saturated by Hurricane Connie, wrought terror and devastation in the six Northeastern States affected. One hundred and sixty-seven persons were killed and more than 5,000 were injured.

Property damage was more than a half billion dollars. Half a billion dollars, Mr. President, is a conservative estimate. It includes only the direct damages. The immense additional losses—losses which are just as real, losses represented by the interruption to business activities, the time lost while men and organizations concentrated their entire energies on rebuilding—are not included in that figure of a half billion dollars of damage.

Nor does that figure attempt to encompass the toll of human misery and suffering. Every dollar of that half-billion is a dollar lost of somebody's savings, of his home, or the accumulated products of his life's work. The human mind can scarcely grasp what that means.

Take a very small example. A few weeks ago, I read into the Record a letter from a constituent who had suffered the least—the smallest possible form—of flood damage. He had had his basement filled with water. That sounds

like a mere inconvenience, does it not? Let me read again what he said about this "mere inconvenience."

We borrowed quite a bit of money last fall to put in a new furnace and to make repairs as a result of the flood in March 1955. That money and those repairs are lost, we can't borrow again, we haven't paid off last fall's loan.

We have no heat as yet, our hot water tank is broken, our washing machine is ruined, the basement floor is damaged and everything stored in the basement is lost. These may seem like small matters to some people, but to small people like us, trying to raise a family, it's close to a disaster.

We can't sell this house; we have tried through the real-estate dealers. The only thing left is to let the house revert to the bank and lose our GI rights.

That letter represents perhaps \$500 worth of that half billion dollars' worth of damage. Nearly 1 million people suffered that much or more during Hurricane Diane.

Mr. President, the pending bill is an effort to meet the needs of people like the ones I have just described. There are hundreds and thousands of others who suffered much greater damage. Some persons lost their life's savings.

I point out that the committee bill makes provision for a deductibility clause in all policies to eliminate nuisance claims. But cases of real hardship can and will be relieved through this program by making available, as widely as possible, insurance against the risk of flood damage.

The reason I am so strongly for this program, Mr. President, is my concern for the little fellow, the family with low and moderate income, with a home having a mortgage on it, a family which can be left, by one of these catastrophes, with only the prospect of debt piled on debt.

The big business concerns—at least the profitable ones and the wealthy home owners can insure themselves, and write off damage against income in their tax returns. The average home owner cannot do this at all, and the small, struggling businessman finds it difficult and frequently impossible.

It is for these people that I have chief concern, and it is for these that the members of the committee have showed concern in writing this bill.

The private insurance companies do not write flood insurance on real property. There is no question of this fact. The record is replete with authoritative testimony to this effect. Witness after witness so testified before the committee.

All the representatives of the insurance companies said they recognized the need. They said it would be good if private insurance companies could write the flood insurance. But they are not now prepared to do so. They say it is practically impossible for them to do so on the basis of the data now available.

In view of the urgent public need, this is a place where government must move in. There is no alternative to a government program.

The committee does not propose to settle for inaction.

The President of the United States and his administration have urged a Federal

flood-insurance program. An administration bill, S. 2852, was introduced. The committee bill is a reconciliation of the administration bill, sponsored by my colleague from Connecticut [Mr. Bush] and other Senators, and S. 3137, the Lehman-Kennedy bill. The committee has worked closely with administration experts in formulating this legislation.

I do not say that the committee bill conforms in every respect with what the administration wants, but it takes cognizance of every valid criticism and suggestion the administration has made.

We heard extensively from representatives of the private insurance industry. I would not say that this bill is warmly supported by all the private insurance companies, but it certainly takes into consideration all the constructive suggestions which they have made to us. Moreover, time and again, the private insurance industry has offered its counsel and services in carrying this program out if the Congress, in its wisdom, enacts it into law.

Mr. President, I do not pretend, and the committee does not pretend, that this program of flood insurance meets entirely the problem of floods in this country. Flood insurance is only a part of the answer. Another part of the answer lies in flood-control works.

For the past month I have spent much of my time supporting appropriations for flood-control projects in various sections of our country. There is no substitute for the planning and construction of physical works to control floodwaters. It is equally true, however, that no system of works designed for flood prevention and control can alone answer the need.

If the Corps of Engineers had the wisdom of Solomon, it could not foresee every flood. Floods occur where no flood ever has struck before. Local floods may be caused by conditions that appear but once in a century. Sometimes a town or city must run a calculated risk of occasional flooding, because the expense of complete protection would be prohibitive.

Moreover, even if it were true—which it is not—that all presently approved construction plans for flood control would, if completed, be adequate to prevent floods, still the fact is that many people must remain exposed to flood danger for many years—for many generations, if you will—to come; for the fact is that the existing plans are far from complete. Many have not even been commenced.

In the course of our hearings, the Chief of the Corps of Engineers, Gen. Samuel D. Sturgis, Jr., estimated that even if Congress should now proceed with all dispatch to make appropriations for the full schedule of flood-control projects which the Corps of Engineers has recommended, and for which it now has plans, it would require a minimum of 22 years to complete these flood-control works. Moreover, the Chief of Engineers made clear that under the basic statutes governing the activities of the Corps of Engineers, a flood-control project must be economically justifiable be-

fore it can be recommended by the Corps of Engineers.

Finally, Mr. President, as I have already indicated, floods sometimes strike where there was never an indication of a flood before. There were heavy floods in New York State in 1935 and 1936, but when the first tropical hurricanes hit the northeastern coast of the United States in 1938, they were the first such major flood storms to hit that area in more than 100 years.

The Chief of the Geological Survey and the Chief of the Weather Bureau both testified that gross changes are taking place in the weather pattern—they do not know exactly why—which have resulted in unexpected weather phenomena in many parts of our country.

Mr. President, for these reasons, nothing can be done to guarantee absolutely against flood damage by flood-control works and by protective structures. Insurance protection must be made available. If the private insurance companies will not make such protection available, the Government must. At least, the Government must show the way.

As I have said, the private companies have said repeatedly that they cannot now offer flood insurance. Some time in the future they may do so; and our program is so designed as to invite their participation as soon as they feel able to join in, and in whatever way they are able to join in. The fact remains that they are not now offering it, and do not expect to do so within the foreseeable future. Therefore, Mr. President, I say again that the Government must undertake this responsibility.

It is for that reason, and to serve that need, that the Committee on Banking and Currency has unanimously reported S. 3732.

I have said that, generally speaking, it is impossible in this country to purchase insurance against flood damage to real property, as well as to many types of personal property. Private insurance companies are not willing to risk a general entry into the flood-insurance field. Two main fears deter them. First, they doubt that any program would result in sufficient profits. Second, they are concerned lest floods cause catastrophic damage leading to an amount of insurance claims which would bankrupt the limited resources of a private insurance company.

Let me refer to the provisions of the pending bill.

First, it would authorize the Commissioner of the Federal Flood Insurance Administration—a new constituent agency of Housing and Home Finance Agency—to offer insurance or reinsurance against flood damage to real and personal property in the United States, whenever such insurance or reinsurance is not available on reasonable terms from other public or private sources. In doing so, the Commissioner will make use of the facilities and services of private organizations to issue the policies and to aid in adjustment of claims. This should serve to avoid the need of a large, costly, bureaucratic Federal organization to handle this program.

What we normally consider premiums for the Federal flood insurance will be computed as follows: The Commissioner will first compute what S. 3732 calls estimated rates, which are so-called actuarial rates, on each piece of property, according to its class, its location, and its vulnerability to flood damage. These rates would be so computed that, if collected, they would be sufficient, over a reasonable period of years, to pay all insured losses. I have noted that many insurance representatives believe these rates would be too high to attract purchasers of flood insurance. In recognition of this circumstance, the bill authorizes the Commissioner to collect only part of the estimated rate from the insurance purchaser. The part collected is referred to in the bill as a fee.

In the Commissioner's discretion, the fee may be lower than the estimated rate by as much as, but not more than, 40 percent of the estimated rate. The bill authorizes the Commissioner to establish a schedule of fees designed to provide insurance protection at reasonable costs designed to achieve marketability. Within the 40 percent limit, the Commissioner may fix different classifications of fees according to use of the property to be insured, the extent of availability of insurance from private sources, and the ability of the insurance prospect to self-insure or to provide mutual self-insurance through a reciprocal reinsurance arrangement. The Commissioner may then set different levels of fees for these classifications, but all within the 40 percent limit above noted. Within any given class of property, the fees will be uniform for similar risks; the intent being that a greater risk will call for payment of a higher fee.

The difference between, on the one hand, the fee actually charged to the insured and, on the other hand, the higher estimated rate he would otherwise have been called upon to pay in order to raise sufficient proceeds to pay insured losses, is an admitted subsidy. This must be paid by the Federal Government under the bill. It can never exceed 40 percent of the total difference between estimated rates and fees. At this stage of the proceedings, lacking operating experience on a nationwide basis, it is not possible to express the maximum subsidy exactly in dollars and cents.

As experience is gained under this program, it is expected the Commissioner will be able to set the fees at levels approaching the estimated rates, thus reducing the Federal subsidy, to the extent this proves to be consistent with providing the flood-damage insurance protection intended by the bill. Many hold the opinion that after an adequate experimental period with this program, it should be possible to operate it on a breakeven basis without requiring any Federal subsidy toward claim payments. Still others expect operations under the program to demonstrate that it can be run as a profitmaking commercial venture.

The bill requires that the Commissioner continually study the feasibility of having private-insurance companies

take over the programs authorized by the bill, either with or without Federal financial support. The bill also requires that the annual report for the calendar year 1961 express an opinion by the Commissioner, supported by findings, as to whether it would be advisable for the Federal Government to withdraw from the flood-insurance field, keeping in mind the desirability of having flood-insurance protection made available to the public. After long and intensive study of this problem, I am convinced that the only practical way to obtain reliable answers to these problems is to operate a nationwide pilot-plant program of flood insurance and reinsurance such as that authorized by the bill.

In order to isolate the effect of administrative expenses on the feasibility of the program, the bill provides that these shall be paid out of funds appropriated through the usual congressional channels.

At the outset of the program, the bill limits the total face amount of flood insurance and reinsurance that can be made available under it to \$3 billion. It permits the President to increase this limit by as much as an additional \$2 billion, if an increase is advisable to carry out the purposes of the bill. As fees are collected on insurance policies sold, the above limits are increased by a like amount. On the other hand, they are decreased by an amount equal to claims approved under outstanding policies. This will limit the total size of the insurance and reinsurance program the Federal Government can operate under this legislation.

Let me point out that this represents the face amount of insurance that can be outstanding—not the expected cost to the Federal Government. In private insurance operations, the company's exposure to risk greatly exceeds the losses incurred—in fact, this is the very nature of the principle of insurance. The losses of the few are paid for from premiums paid by many who deem themselves potential victims of the perils insured against. Testimony was given our subcommittee to the effect that many private companies keep no record whatsoever of their total exposure to risk under property damage policies. Instead, they rely on the expectation that actuarially sound premiums will be sufficient to pay all insured losses and administrative costs, and to yield an acceptable profit. A single insurance company, it was reported, has about \$20 billion exposure to risk of windstorm and other perils included in the company's extended coverage endorsement on fire insurance policies, as compared with total assets of that company amounting to only \$1¼ billion. By comparison, the \$3 billion to \$5 billion program authorized by this bill seems minute. But it is believed it will be sufficient to inaugurate a representative operating flood insurance program. I wish to emphasize again that the \$5 billion figure represents the face amount of insurance and reinsurance under the bill. It is much higher than the expected cost of this program to the Government.

Because we have placed a stringent limit on the amount of insurance and reinsurance that can be made available under the bill, it has been necessary to place a limit on the amount available to any one person. In an effort to spread the available protection as far as practically possible, a policy limit of \$250,000 per person has been prescribed, provided that a lower limit of \$10,000 per dwelling unit and connected structures and personal property has been set. The committee deemed these limits to be ample to furnish a fair share of protection to those who choose to take part in this program; although the limits may not be high enough to allow every person, corporation, and public body to buy all the floor insurance each would like to carry. These limits, of course, apply only to direct flood insurance issued by the Federal Government; they do not prohibit private insurance companies from issuing flood insurance policies covering the risk above these limits on property so insured. Under the bill, policies so issued by private companies could be reinsured by the Federal Government. So by combining direct Government insurance with private company insurance, a person, corporation, or public body may be able to obtain the amount of flood insurance desired, depending upon the willingness of private insurance companies to enter this field either with or without the backing of Federal reinsurance.

Among the most tragic flood losses that came to the committee's attention, apart from loss of life and personal injuries, were those in which families of small or moderate means lost all their worldly possessions in a flood. Even more poignant were instances in which homeowners lost their mortgaged homes to the flood, but still owed the money due on the mortgage. In some cases the savings of a lifetime, earned by years of toil and laid aside through prudent husbandry, were wiped out in one swift rush of angry waters. It became necessary to use these savings immediately after the flood to pay day-to-day living expenses, in the absence of wages due to unemployment caused by the same flood, and to try to replace furnishings destroyed or damaged by floodwaters.

Many of these people have pleaded with us to use the powerful forces of the Federal Government in order to make some form of flood insurance available. Had the programs authorized by this bill been in effect, these flood victims would have been able to use the proceeds of insurance claims to repair and replace flood losses without such a heavy blow to their lifetime savings. The mortgagor would have been better enabled to meet the payments on his outstanding mortgage and to obtain a new mortgage in order to replace or repair his flood-damaged home. The \$10,000 limit per dwelling on Federal flood insurance would be a substantial achievement by itself toward this goal.

Other far-reaching flood losses occurred when business enterprises were made inoperable, causing layoffs for most of their employees. To the worker this meant loss of wages; to the employer it

meant loss of production and income; to the Government it meant loss of taxes from many sources. In the floods last fall, many small businesses were particularly hard hit. Operating a small business presents enough problems of obtaining working capital in the absence of a flood, but the flood damage compounds the problems. It compels the management to seek credit at a time when the physical business assets are at a low ebb. In many cases it presents the need for making the serious decision as to whether to resume business operations in the same location, or at all. Unless the enterprise resumes, the community may lose a source of employment for many of its citizens, with resulting adverse repercussions on the welfare of the entire community in the case of smaller towns.

Not all these problems will be solved by the pending bill, but the insurance and reinsurance programs it authorizes will make a helpful start toward their solution. Again, as in the case of homeowners, insurance proceeds come at the time they are most needed, relieve the insured's other assets from pressure, and maintain the credit of the insured. Insurance proceeds give him an immediate source of funds for the repair of flood damage.

The programs placed in operation under the bill should provide a fair amount of protection to those who purchase flood-insurance policies.

The proposed legislation requires a minimum loss deductible provision in each Federal policy equal to \$100 plus 5 percent of the balance of each claim. This will serve to reduce nuisance claims, keep down the cost of servicing claims, and give the insured an incentive to minimize flood loss. In addition, the Commissioner may impose coinsurance requirements, so that property underinsured in terms of value will result in only partial recovery of partial losses. Under the bill, the Commissioner may increase the amount or percentage in the loss-deductible provision upon issuance of a policy, considering the class of risk involved. This will further decrease the Federal Government's exposure to loss under the insurance program, but I hope the Commissioner will keep in mind the aim of this bill to furnish the insured a fair amount of protection.

Although the bill limits the operating insurance program to flood, as defined in section 20, it directs the Commissioner to study the feasibility of offering insurance against other natural disaster perils whenever it is not generally and practically available in the United States from public or private sources. Another provision of the bill requires the Commissioner to include in the annual report for 1961 his opinion as to the feasibility of withdrawing the Federal flood insurance and reinsurance program, keeping in mind the desirability of having such protection made available to the public. Moreover, no insurance or reinsurance can be issued under the bill if it is available on reasonable terms, from any public or private source. Finally, the Commissioner is directed to

make use of the facilities and services of private insurance and adjustment organizations in carrying out the programs authorized.

Mr. President, in my opinion the matters I have discussed are the main features of the bill. More detailed explanation of these and other provisions may be found in the report.

The programs authorized will offer insurance protection to many who are actually potential flood victims, whether they realize it or not. One of the rather startling facts that developed out of the floods and hurricane rains of 1955 is that many are subject to water peril, even though their property is not located on streams. The deluge proportions of the rains caused damage to property on high ground. It also caused a backing up of water in small headwater streams causing serious flooding in areas not suffering such conditions for many preceding years, if ever. It was from victims such as these in my own State of New York that I have received heartrending requests for the institution of a flood insurance program. Personally, I want to do all within my power to provide an opportunity to these people, and others who may find themselves in a like situation in the future, to purchase flood insurance at reasonable rates.

In the past, flood insurance legislation has reached various stages of progress, but never has a bill on this subject been reported to either House of the Congress. Our committee has given long and very careful consideration to flood insurance problems. This bill was unanimously ordered reported favorably by all committee members present. I urge its immediate enactment.

Mr. President, I wish to add a personal word: The committee held hearings in almost every one of the States which suffered damage as a result of the floods of last August and last October. The committee did not have an opportunity to hold hearings on the Pacific coast; but, in all, the committee held 14 hearings, as I recall. As I have stated, at the hearings there appeared before us many hundreds of persons, including manufacturers, merchants, the Governor and the Senators from each State in which we held hearings, teachers, Government workers, factory workers, farmers, and—above all—the owners of small homes. All those persons came before the committee and told their story. I suppose that in most cases the small homes whose owners testified before the committee had a value not exceeding \$10,000, and in many cases a lesser value than that. In most cases the homes were saddled with mortgages probably amounting to the full value or as near the full value of the homes as it was possible to obtain on mortgages. When the homes were destroyed, as a result of the flood waters, the mortgages remained in effect; and the owners still owed \$7,000, \$8,000, or \$9,000 for what were perhaps \$10,000 homes. After the flood, they had to seek new loans, which were superimposed on the original loans. The home owners had no means of obtaining compensation to make it possible for them,

through cash resources to which they are entitled, to get back on their feet.

Only a few Government agencies provide any relief of this kind. It is true that the Department of Agriculture makes some very small loans; and the Small Business Administration and the FHHA also makes some small loans. However, aside from those small loans, which must be repaid, no relief is available, save through private agencies.

The Red Cross has done excellent work in helping these people; but at a time when damage amounting to probably \$1 billion has been suffered—and let me say that the estimates vary from \$700 million or \$800 million to twice that amount; but I have been conservative in figures I have been using—the amount of help which can be obtained through the Red Cross, from the public-spirited people of the United States, is small in comparison to the need.

Mr. President, it is impossible for me to find words to describe adequately the feelings of those who appeared before the committee and pleaded with it for assistance and action. I recall that in South Carolina there was a community, located near the ocean, consisting of 500 small houses. When the hurricane came, the tidal waters rose so high that all but one of those homes was swept into the sea. How that one home was saved is a miracle which no one can explain. The owners of all the other homes in that community suffered a complete loss.

The Senator from Connecticut [Mr. BUSH] and I and other members of the committee can speak to the Senate for hours, I am sure, in discussing the tragic situation created by floods; and the other members of the committee can speak much more eloquently than I have spoken. However, I have seen sufficient of the damage done by floodwaters—and let me say that I have personally seen in my own State of New York enough of the damage done by the floods which occurred in 1935 and 1936, when the people of New York suffered damage amounting to nearly \$100 million—to convince me that it is the duty of the Congress to take steps now, immediately, to make at least this small portion of relief available to the people. Of course, Mr. President, the steps we propose are not wholly adequate steps; they will not meet the entire need. We should not make promises to the people which will not be realized. But, I am convinced that we must act at once. I urge the immediate passage of the bill without crippling amendment.

Mr. KENNEDY. Mr. President, will the Senator from New York yield to me?

The PRESIDING OFFICER (Mr. McNAMARA in the chair). Does the Senator from New York yield to the Senator from Massachusetts?

Mr. LEHMAN. I am glad to yield.

Mr. KENNEDY. I desire to congratulate the Senator from New York on the very able statement he has made, and, more importantly, on the work he has done in connection with this matter since last September. I attended the hearings in Boston, and at that time I

thought the job was an almost insuperable one, particularly in view of all the problems which were presented to the committee; and I did not know whether it would be possible for affirmative action to be taken.

I know of the work which has been done by the committee. I desire to congratulate the Senator from New York, and also to thank him on behalf of all the people of Massachusetts, for the splendid work he has done. I also desire to thank the distinguished Senator from Connecticut [Mr. BUSH] for the excellent work he has done. Their work has made it possible for this measure to be reported to the Senate.

Mr. LEHMAN. Mr. President, I thank the Senator from Massachusetts for his remarks.

Let me say that on many occasions during the hearings, and also between them, I was deeply discouraged; it seemed to me that the difficulties inherent in the situation were so great, and the problems were so intricate and involved, that it would be virtually impossible to work out an operable bill. However, I think we have done just that, although I wish to emphasize that it is not a perfect bill. Nevertheless, if enacted, I believe it will bring a very substantial measure of relief to those who are in such great need of relief.

Mr. BUSH. Mr. President—

The PRESIDING OFFICER (Mr. WOFFORD in the chair). The Senator from Connecticut.

Mr. BUSH. Mr. President, first, I wish to congratulate the distinguished Senator from New York [Mr. LEHMAN] upon his excellent presentation of this subject, and also for his untiring efforts during the past 7 months. He tackled this job as long ago as last October. I venture to say that in the intervening months this issue has taken far more of his time than has any other. He has given most unselfishly of his strength, his energy, and his wisdom to this very difficult task. I think that is perhaps the chief reason why we now have before us a flood-insurance bill which seems to be a workable one.

Incidentally, Mr. President, it is interesting to observe—and I believe that the Senator from New York will recall that I am correct in this matter—that this is the first time a bill designed to provide insurance against flood damage has been reported to either House of the Congress. I am sure the Senator from New York and I are very happy that we have worked together to make this first appearance with a flood-damage insurance bill.

Mr. President, the bill is the outgrowth of 2 or 3 measures; one might say it is a merger. More than 20 Senators have sponsored one or more of the bills. So we already have evidence of the broad support this issue has. The Senators who support this proposed legislation come from both the east coast, the west coast, and the Middle West. So I am very hopeful that the bill will receive a very large vote of approval in the Senate so that it may go to the House with impressive support. As yet the House has

not done very much about this problem. Some hearings were held on the House side, but a great many difficulties were encountered in connection with preparing proposed legislation. I believe that Members of the House decided to wait and see what the Senate would do on this subject. The House has done nothing about it for several months. So I think it is very important that the bill receive a very large vote of approval in the Senate, in order that we may convince the House that we feel we have a very good bill.

I am pleased to support wholeheartedly the Federal Flood Insurance Act of 1956. I cannot help but feel a strong sense of accomplishment in seeing this proposed legislation reported to the Senate favorably by a unanimous vote of a majority of the Committee on Banking and Currency. Enactment of this bill would perform a great public service for the people of the United States by making available indemnity against flood damage to real and personal property. No commercial insurance is generally available at present to furnish such protection.

I take satisfaction, on behalf of the people of my own State, in seeing the legislation progress this far because we share an intense interest in obtaining adequate flood indemnity protection. Connecticut sustained the heaviest loss of any State during the floods that struck the Mid-Atlantic and Northeastern States in August and October 1955. The most recent estimates from the Federal Civil Defense Administration indicate that in those disasters, Connecticut suffered almost 100 lives lost, nearly 5,200 injured, and damage to physical property amounting to \$236 million. However, mere figures are insufficient to portray the hardship and human misery caused by the flood.

One would have to walk through the ruined towns and cities, as I did repeatedly, and see firsthand the terrible damage and suffering wrought by the angry waters, in order to appreciate the real need for the legislation now proposed. In conference in Connecticut with public officials of the affected States, President Eisenhower pledged the Federal Government to seeing whether flood insurance could be offered through cooperation between insurance companies, States, and the Federal Government.

Impressed with the need for a careful study of means of providing insurance protection against such damage, I telegraphed Chairman FULBRIGHT of our Banking and Currency Committee on August 23, 1955, urgently requesting that the staff immediately undertake a study of the feasibility of Federal disaster insurance. Since that time I have worked closely with other members of the committee, insurance representatives, the committee staff, and the executive department to devise a workable flood indemnity program.

At my request, the committee staff prepared a comprehensive background study of disaster insurance problems, and a proposed disaster insurance bill. Together with other pieces of proposed legislation, this bill served as a vehicle

for developing useful ideas for a plan of flood insurance during the 8 days of hearings held by the committee from October to December of last year. I was privileged to take part in these hearings, held under the able chairmanship of the distinguished Senator from New York [Mr. LEHMAN], both in Washington and in the areas afflicted by the floodwaters.

As soon as the Congress convened this year, with several cosponsors—there were 19, including my distinguished colleague [Mr. PURTELL]—I introduced a flood-insurance bill (S. 2862) representing the administration's suggestions to carry out President Eisenhower's state of the Union message recommendation for an experimental program of flood-damage indemnity. As amended on January 18, this bill joined S. 2768, the Kennedy-Saltonstall bill, and S. 3137, the Lehman-Kennedy bill, to form a triumvirate of proposals on which 5 additional days of hearings were held in February.

The bill reported by the committee contains features from each of these measures. With the single exception of a requirement that the States participate financially, it embodies all the major points of policy contained in S. 2862, as amended on January 18, and recommended by the administration.

Briefly these points consist of:

First. The manner of computing fees charged for the indemnity made available, placing a limit on the Federal subsidy;

Second. The incentive placed on State and local governments to minimize flood losses;

Third. A per person limit on policies issued;

Fourth. An overall limit on the programs;

Fifth. A minimum loss-deductible provision;

Sixth. Administration of the programs within the Housing and Home Finance Agency; and

Seventh. Testing the feasibility of turning the programs over to private insurance companies after 5 years.

The question of requiring participating States to bear a share of the cost of the admitted subsidy involved was examined thoroughly by the subcommittee and the full Committee on Banking and Currency. Although I favor the idea, and fought for it during the discussions held in executive session, I was forced to yield by the weight of the practical obstacles which arose.

The fact of the matter is that very many of the States, if not all, have provisions in their State constitutions which raise very grave doubts whether they could participate in the proposed program if financial participation were a prerequisite. At a minimum, insistence upon State financial participation would cause lengthy delays in getting under way a program which is needed now, not 2, 3, 4, or more years from now. It would handicap the program in most of the States, and make it totally ineffective in some of the very States where it is most urgently needed.

That applies particularly to the State of Connecticut, and I believe with particular emphasis to the State of Mas-

sachusetts. It applies also to the State of California and other States.

Moreover, a requirement of State financial participation in the bill is not needed to accomplish the essential purposes for which it was proposed, namely, first, to provide an incentive to the States to reduce flood hazards; and, second, to reduce the possible cost to the Federal Treasury. These ends can be achieved, practically and effectively, by the flood-zoning provisions of the bill.

I. RATEMAKING

Under the bill, rates will be set at levels sufficient to pay insurance claims as they become due. But, if the Commissioner thinks these are too high to obtain enough purchases, he may collect as much as 40 percent less from the insured. The difference between the amount collected and the higher rate needed to meet claims would be paid into an insurance fund as a Government subsidy. Other bills considered and rejected by the committee on this point would have set no percentage limit on the amount of the subsidy. It is expected that the Commissioner will keep this subsidy to a minimum by collecting as much of the amount needed to pay claims as is consistent with providing the protection sought to be made available by the provisions of the bill.

II. STATE PARTICIPATION

I am particularly pleased that the bill reported from the committee places on each State an incentive to keep flood damage to a minimum. It withholds Federal flood insurance or reinsurance from property used in violation of local flood zoning. After June 30, 1958, it withholds benefits from any area which fails to adopt flood zoning restrictions, if any, deemed necessary by the Commissioner. With such clear mandates to State and local governments to minimize flood losses, any added incentive in the form of money contributions by the States ceases to have the importance it would assume in the absence of such provisions.

III. POLICY LIMIT

The bill limits each Federal indemnity contract to \$250,000 per person, just as in S. 2862, the administration bill. It contains a further proviso of a \$10,000 limit per dwelling unit, together with appurtenant structures, furnishings and other personal property. Together these limits should serve to distribute the benefits of this legislation to many people who need them. Additional coverage may be obtained from private insurance companies, if they are willing to provide such coverage either with or without Federal reinsurance. Some limit per policy is obviously required in view of the limit placed by the bill on the total face amount of indemnity contracts that may be outstanding under its provisions.

IV. PROGRAM LIMIT

As reported by the committee, the bill contains a higher program limit than that set forth in any of the measures it considered. An immediate limit of \$3 billion is provided, with authority in the President to increase it to \$5 billion if advisable to carry out the purposes of the bill. After considering testimony of

insurance representatives, the committee concluded that a program of this size, in the form of insurance or reinsurance, would give a fair opportunity to test the workability of flood insurance. In usual insurance operations, the amount of exposure to risk is greatly in excess of the ultimate cost of the program to the insurer. It is hoped that the same attributes will attend this program. If so, the cost to the Federal Government will be small and well justified in view of the public service performed and the increase in income tax revenues resulting from the reimbursement of losses now treated as tax deductible items.

V. LOSS-DEDUCTIBLE PROVISION

The bill requires a minimum loss deductible provision excusing the Government from liability for the first \$100 of each claim and 5 percent of the balance. While S. 2862 would have fixed a higher minimum of \$300 plus 10 percent of the balance of each claim, the bill as reported permits the Commissioner to raise the minimum to this level or even higher, considering the insured risk. The levels should be high enough to eliminate the expense of processing very small claims, making possible a lower total charge to the insured for protection on the remainder of each claim. On the other hand, it should be low enough to provide adequate insurance proceeds when needed by those taking part in the program.

VI. ADMINISTRATION

The program will be handled by the Housing and Home Finance Agency through a Commissioner of a Federal Flood Insurance Administration. General supervision and housekeeping functions will be within the control of HHFA. Daily operations will be handled by the Commissioner. Coupled with use of the services and facilities of private insurance organizations, these provisions should make possible a successful program with a small, policymaking Government staff. The former war damage insurance program worked quite successfully under a similar pattern, being a subsidiary of the Reconstruction Finance Corporation.

VII. FEASIBILITY TEST

The bill, as did S. 2862, requires that at the end of 1961, those handling the insurance and reinsurance programs must advise the Congress whether, considering the desirability of affording flood insurance protection, it will be possible at that time for the Federal Government to withdraw financial support from this field of endeavor. The bill contemplates that the Commissioner will do his very best to learn by experience whether it is feasible to operate flood insurance and reinsurance on a commercially profitable basis.

At present there is no practical way in which people can purchase insurance against flood losses, especially in the case of homes and business structures. My State of Connecticut is widely recognized as the insurance center of the United States. Although successful insurance plans have been devised against many other forms of natural disaster, the insurance industry has not yet deemed it advisable to offer flood insurance generally as a profitable commercial ven-

ture. Insurance experts have studied the problem carefully—especially in recent years—but generally believe that the frequency and extent of flood damage would result in too high a schedule of premiums to attract buyers, if handled according to usual insurance practices. Representatives of the industry, however, have been most cooperative in offering to aid the Federal Government in operating a workable indemnity program such as that authorized by the bill now before us.

This should prove in operation to be a test program in which private groups experienced in insurance problems will, in conjunction with Government, be placed in a position to test the feasibility of flood insurance as a commercial venture.

The bill contains adequate safeguards to prevent any unfair competition of this program with private insurance enterprise. It expressly prohibits the issuance of insurance or reinsurance covering risks against which insurance is available on reasonable terms from other public or private sources. It mandates the use of private insurance organizations as Government agents. It encourages the interchange of useful information between the Government and private insurance organizations. It requires the Commissioner to study the part taken by private insurance companies in programs authorized under the bill, so that, whenever practicable, the protection authorized can be provided through private insurance company policies reinsured with the Government, rather than through direct Government insurance. Finally, the bill directs the Commissioner to study the feasibility of having private insurance companies take over the programs authorized by the bill, either with or without Federal support.

All these provisions contemplate a program so run as to demonstrate, if possible, that flood insurance can be handled as a normal function of private enterprise. But, whether or not this proves to be feasible in the long run, much good will have been done by making it possible for potential flood victims the Nation over to purchase some peace of mind protection, knowing that if they are unfortunate enough to be afflicted by flood damage, they will at least be assured of the financial means of repairing that damage. This alone is greatly needed. I know this firsthand from the sad experience of thousands of flood victims in Connecticut.

But I wish to emphasize that this legislation will not help Connecticut only. Its benefits will be nationwide. No one knows for certain just where in the United States the next major flood will strike. As shown by records kept by Federal agencies, it may be in any of the major river basins. Average annual flood losses have gone as high as \$800 million during the last 2 years. Over a long period, they average about \$350 million.

The humanitarian aid furnished by our Government to the citizens of other nations afflicted by misfortune in various forms is well known and commendable. I submit that we should treat with the same solicitude those living in the United

States who become the unwilling victims of natural forces beyond their control. They do not seek—nor does this bill provide—outright Federal grants. But it does lend the capabilities of the Federal Government toward providing a plan whereby in return for fees paid in advance, our residents may buy a fair share of indemnity protection against the ravages of flood loss.

All our people ask is an opportunity to help themselves through the medium of facilities that at present can be provided only by the Federal Government. More than this they do not want. Less than this we cannot afford to provide as representatives of our constituents.

I noted earlier that, with my cosponsors, I had introduced the administration's bill on this subject. It received thorough and fair consideration in both subcommittee and committee under the capable chairmanship of the junior Senator from New York [Mr. LEHMAN]. Under his direction, the subcommittee and the committee have conducted an exhaustive study of available material on flood-insurance problems. In my opinion, this study amply justified legislation of the type we are now considering. As is true in much legislation, the bill reported from the committee embodies a melding of ideas evolved in the course of the committee and subcommittee study.

Knowing the President's deep concern with the need for flood indemnity, as set forth in his statement at Bradley Field, near Hartford, Conn., and again in his state of the Union message, I feel confident that the bill we are now discussing will be acceptable to him.

The time is fast approaching when our Nation may again feel the fury of hurricane winds and rains. Some progress is being made in this Congress toward providing physical flood protective works. We have appropriated funds enabling an early start on an accelerated flood-protection program for the Northeastern States, but completion of the flood-control system will require several years. The Senate recently adopted S. 3272, introduced by myself with several cosponsors, which would permit the Corps of Engineers to break through the bottleneck of time which has been obstructing construction of small, but urgently needed flood-control works for local communities. It is my hope that early action will be taken by the House on this needed legislation. But even when all the presently planned flood-control works are in being, there still will remain a need for flood insurance. The Chief of Engineers himself recommends adoption of a flood indemnity plan to dovetail with the flood protective works administered by the Corps of Engineers. The one will effectively supplement the other.

The Congress has seen flood indemnity proposals introduced in earlier years. But not until the present has a bill been reported favorably to either House of the Congress, after intensive committee work on the problems involved. I urge my colleagues with all the power at my command to make good use of this opportunity to place in effect a workable program of flood indemnity. The need is urgent. The time for action is now. I

highly recommend immediate passage of S. 3732.

In closing, let me say that while there are many large figures in the bill—there is one figure of \$3 billion, and another of \$2 billion—we have tried rather hard to estimate what the actual cost of the bill might be to the Federal Government. I think it is impossible to do that, because we do not know what the losses will be, and we do not know to what extent people will buy insurance.

I think it is interesting to observe that over a period of years it has been estimated that flood losses have been on the order of \$300 million a year.

The records of the last flood in the Northeast showed that only 9 percent of the losses were in the nature of losses affecting dwellings. I think 11 or 12 percent were in the nature of losses affecting commercial establishments. The larger percentages were represented by losses affecting public property, such as bridges and roads, and by corporate losses, to railroads, factories, and similar corporately owned property in large volume.

The large total in dollars, therefore, is made up, to the extent of approximately 80 percent, by large losses, losses by large losers, so to speak. However, the larger number of losses, as the Senator from New York has pointed out, has been among poor families with all their possessions in small homes, without any protection.

There is a provision in the bill to the effect that no individual may take more than \$10,000 worth of insurance protection on any dwelling. It would be unlikely that all those seeking protection would take the entire amount. Some might insure their homes and possessions to the extent of half the total value, or something on that order. Most of the losses which were sustained in my section and throughout the flood areas were not complete losses. Although there were many complete losses, such losses constituted a relatively small percentage of all the losses which were sustained. All the exemptions should be borne in mind and also the fact that no corporation or industry or commercial enterprise may take out more than \$250,000 worth of insurance. The fact is that the large losses were sustained by the corporations like the New Haven Railroad, which sustained a loss of approximately \$20 million, and the American Brass Co., which lost several million dollars, and it can be seen from the bill that there will be no insurance issued against such large losses, but only to the extent of \$250,000 each, so far as corporations are concerned.

Therefore I protest very strongly that the pending measure is not what can be called a big money bill. It is evident that most of those who will take out the insurance will pay for it. At least 60 percent of it will be of that type, and it will be taken out for a period of 5 years, while the experiment is being carried on. Therefore I do not at all concede that this is a bill which will be very expensive to the Federal Government.

Mr. WATKINS. Mr. President, will the Senator yield?

Mr. BUSH. I yield.

Mr. WATKINS. First I should like to say that I am in complete sympathy with what the Senator is trying to accomplish. He has described one of the great hazards of the American people who live along the rivers of our country, and who have no means of protecting themselves against floods. Inasmuch as we are about to provide insurance for losses sustained from too much water, I wonder whether the Senator from Connecticut would be willing to think about doing something with regard to the reverse situation, namely, hazards involved in situations where there is not enough water, as compared with too much water. I have in mind drought conditions in many areas of the West, which make whole areas of our country unlivable, since they are incapable of producing crops and consequently families are forced to leave their land.

Would the Senator from Connecticut favor an amendment to provide for drought insurance, to compensate people who sustain damage by not having enough water, to the same extent that the pending bill would provide protection against too much water?

Mr. BUSH. I should like to say to the Senator from Utah that there is one characteristic about the proposed flood-insurance program which should be kept in mind throughout this discussion, and that is that flood damage is the only damage or hazard against which a person cannot buy some kind of insurance. A person can insure his property against damage by wind or fire or other disasters, but no flood insurance is available at this time.

I should be glad to consider very sympathetically any bill which the distinguished Senator from Utah might devise which would offer protection to homes and other properties against ravages of disease that may result from drought or other conditions.

Mr. WATKINS. As a rule, diseases do not result from drought conditions. Droughts come on rather gradually, but as a rule, last a very long time and have very devastating effects. Whole areas have to be abandoned because of drought conditions. My thought is that if we are to provide insurance against too much water, we might also provide insurance against too little water, which in many cases forces people to give up their homes and to abandon crops, or make it impossible for them to grow crops on their land.

Mr. Bush. I appreciate the Senator's suggestion. I would certainly view with very great sympathy any proposal along that line that he would make.

However I venture to hope that the pending bill, on which we have worked for many months, will not be complicated by any amendment along that line. If the Senator desires to have my help, based on any experience I have gained on this subject, in preparing legislation of the type he has in mind, I shall be very happy to give him such help.

Mr. LEHMAN. Mr. President, will the Senator yield?

Mr. BUSH. I yield.

Mr. LEHMAN. I merely wish to point out to the Senator from Utah, who, I believe, was not on the floor throughout my remarks—

Mr. WATKINS. No; I came in later.

Mr. LEHMAN. I should like to say to the distinguished Senator from Utah that although we have not provided for any immediate insurance against other catastrophes than floods, there is a provision in the bill which directs the Commissioner to study the situation and to make reports to Congress with regard to any other forms of disaster which should be covered by insurance and for which no insurance is now readily procurable through regular commercial channels.

Mr. WATKINS. So far as I know, there is no insurance against drought obtainable at the present time. There may be, but I have not heard of it.

Mr. BUSH. I believe the crop-insurance program applies to a certain extent.

Mr. WATKINS. That applies to disasters in the field of agriculture, but I do not believe it provides any insurance against drought.

Mr. BUSH. I should like to read from the bill the provision to which the Senator from New York has referred. The following language is found on page 16 of the bill:

SEC. 15. (a) The Commissioner shall undertake a continuing study of the practicability of extending the coverage of insurance programs similar to those authorized under this act to any one or more natural disaster perils, other than flood, against which, and for the period during which, insurance protection is not generally and practically available in all geographical locations from other public or private sources.

That is a mandate to the Commissioner to look into the very situation to which the Senator from Utah has referred.

Mr. WATKINS. I merely wish to add that I thought it would be a good idea to have someone think about the reverse of the situation we are discussing here. I come from an area where we do not have enough water, instead of too much water.

Mr. BUSH. I wish we could give the Senator some of our water. He does not have enough, and we have too much.

Mr. WATKINS. As a rule we do not get too much sympathy from other areas of the country which are always seeking flood relief. I merely wished to call attention to the fact that in my section of the country we suffer from drought disasters, just as the people in the States represented by the Senator from Connecticut and other Senators suffer from too much water, or from floods.

I am in sympathy with the Senator's bill, and I shall vote for it. However, I wished to call the Senate's attention to the fact that other people, who also suffer from disasters, do not get too much sympathy for the losses they sustain, although the effects in their case are just as devastating and just as ruinous as those caused by the flood conditions to which the Senator from Connecticut has referred.

Mr. BUSH. The Senator has made a good point, and I am in complete sympathy with it.

Mr. PURTELL. Mr. President, I wish to commend the committee, the subcommittee headed by the distinguished Senator from New York [Mr. LEHMAN], and my distinguished senior colleague from Connecticut, and to congratulate and thank them for the excellent bill which the Senate is now considering.

I, too, saw the results of the floods in our area, particularly the second flood. As was stated by the senior Senator from Connecticut and the Senator from New York the people who suffered the effects of that disaster were willing to pay for protection, but were unable to do so. I remember that Abraham Lincoln said one of the functions of government was to operate in those fields in which the people could not do as well or do at all for themselves.

This is one of those fields. There is no flood insurance available to people, much as they would like to purchase it.

Mr. President, I saw people whose homes had been swept away. I saw people who within a period of 60 days had suffered two disastrous floods in areas in which no floods had occurred for more than 100 years. Those floods could not be anticipated. As the distinguished Senator from New York has stated, people found themselves burdened not only with one mortgage, but with two mortgages. I saw families who had put themselves in hock, to use a slang expression, for goods already washed away.

There are some provisions in the bill that I wish could be improved. One improvement will be sought to be made by an amendment which I understand will be offered today. I shall vote for it. However, generally, the bill is a fine piece of work. People all over the country need this kind of protection now. It is the only kind of protection which will be available to them. The people will purchase the protection. They will pay for it, perhaps not wholly, but certainly in part. I know of nothing that is needed more by people in our area than this kind of protection.

I like to think of the proposal contained in the pending bill as a pilot plan. That is what I would call it. It represents a means by which people may obtain protection. At the same time experience can be developed to determine what can be done by private initiative after the gaining of that experience.

THE AAU: A STUDY IN DISRESPECT

Mr. CARLSON. Mr. President, on February 20 and 23 of this year, I called the attention of the Congress to the calculated action of the Amateur Athletic Union of the United States, commonly called the AAU, in permanently exiling this Nation's outstanding mile runner, Lt. Wes Santee, from amateur competition.

I think it is now proper to pursue the subject further. My purpose is to inform the Congress and the public about recent developments in this scandalous case of a young man forced to defend his rights against the totalitarian persecution of a powerful private organization.

Wes Santee, as Senators may recall, is a native Kansan, a graduate of the

University of Kansas, an outstanding athlete, and a respected member of the United States Marine Corps. He is a responsible family man of whom we can all be justly proud and who, if afforded the opportunity, could become the deserving idol of schoolboys throughout the world. He actually is an extremely fine example of young American manhood, despite the totally unfair mantle of deceitful wrongdoing with which the dictatorial leadership of the AAU has cloaked him.

Lieutenant Santee was convicted in AAU star-chamber proceedings of willfully accepting more expense money than the archaically stringent rules of that organization allow. He does not deny receiving overpayments of approximately \$1,500 for the 22 meets in which he engaged under AAU sanction, but he does point out, quite logically, that these overpayments were knowingly and voluntarily made by the AAU's own pious members and that this had been the accepted practice for many years. Therefore, they were not considered by him to be culpable actions meriting permanent ostracism from this same organization. Actually, Wes Santee is guilty only of having mistakenly placed faith in the noble ideals of an organization which originally was sound and desirable but which now has deteriorated to a mockery of its former status.

I have no quarrel with the stated aims of this organization. I sincerely believe the AAU has performed a valuable service for this Nation by restoring some measure of trust to amateur athletic competition. But I also believe the inconsistent practices sanctioned by the present leadership of this organization have converted it from a valuable national asset to a serious liability. These bumbling officials of the AAU adhere rigidly to their program of severe austerity in isolated instances, such as the Santee case, while other equally serious malpractices are totally ignored, perhaps even encouraged, by these same officials. This discriminatory regulation has led to widespread disrespect and contempt for the so-called governing system of the AAU.

Offenses such as race-fixing, bribe-taking, perjury, falsification of records, immoral conduct, or unethical racing practices merit the most severe punishment at hand. But Wes Santee is not accused of these offenses. His reputation is unsullied in the eyes of everyone except the AAU officials who knowingly gave him too much expense money and then turned on him in despicable fashion for accepting it when it became public knowledge.

I consider it highly significant that the board of managers of the Missouri Valley Association, an AAU member organization under whose jurisdiction it properly came, last year acquitted Lieutenant Santee of any charges of professionalism by a 21-to-7 vote. However, this acquittal action did not suit the purposes of the national clique of AAU dictators. In secret judgment and without due process of law, they promptly overruled the considered decision of the Missouri Valley Association and disbarred Santee from

further amateur competition for life. By killing his amateur status, in effect, they invoked the organization's capital punishment proviso for a hitherto acceptable misdemeanor which merited at most a stinging slap on the wrist. It was a cruel move calculated to restore some measure of public faith in AAU leadership, which had tumbled from the seat of righteousness, lo, these many years ago, and which it will never fully regain. These men care not that they have sacrificed the brilliant athletic career of a fine young man on their seldom-used altar of effacing propriety. Nor do they care that in so doing they have created a monstrous blot of disrespect on the public view of the entire program of amateur athletic competition in this Nation. It is a saddening spectacle of irresponsibility.

Despite my strong revulsion toward the AAU's whipping-boy view of Lieutenant Santee and its utter disregard of his rights, I am even more gravely concerned about the manner in which the AAU officials are persecuting those who would associate with this fine young man. They have made him the leper of the sports world. He is, according to AAU prognosis, an untouchable who must be isolated from association with other amateurs. Those who associate in any manner with him are also accorded leper status by the AAU.

On April 14, 1956, for example, a dual track meet was held between William and Mary College at Williamsburg, Va., and the United States Marine Corps Base at Quantico, Va., where Lieutenant Santee is stationed. At this time I quote from a letter written by Mr. Jack Freeman, director of athletics at the host William and Mary College, regarding AAU action concerning this track meet:

On April 14, 1956, a dual meet was held between William and Mary College and the Quantico marines. This meet was scheduled last season.

A question arose prior to the meet: "Should Lieutenant Santee be allowed to run in the meet, since he is ineligible under AAU rules?"

The William and Mary officials said they were not running against Santee; they were competing against Quantico, and who were they to say who should make up the Quantico team for a dual meet. It is "S-O-P" (standard operating procedure) for colleges all over the country to compete against service teams, and most service teams have some ineligible athletes on their team, AAU-wise.

I should like to interrupt my reading of the letter at this point to state that the meet occurred as scheduled and Lieutenant Santee did compete, with two William and Mary athletes among his opponents. I now resume reading Mr. Freeman's letter:

On April 30, 1956, the AAU announced that all of the William and Mary athletes who competed in the above dual meet were barred from further AAU competition because they and Santee were in the same meet, regardless of whether or not they ran against Santee.

There is no rule covering the above dual meet in the AAU rule book. The AAU simply makes up rules to fit the case, the way they want it. This action by the AAU is a direct injury to a team of young athletes and shows how incompetent the AAU is.

Such action, as the above, by the AAU not only causes injury to a few boys from one school, but is a direct injury to the athletic

INSURANCE AGAINST FLOOD DAMAGE

The Senate resumed the consideration of the bill (S. 3732) to provide insurance against flood damage, and for other purposes.

Mr. SCOTT. Mr. President, the bill that is now before us, Senate bill 3732, in my opinion, leaves no room for controversy.

Every Member of the Senate, I believe, is anxious to make a sincere effort to help reduce the loss from hurricanes, floods, and other natural disasters.

Senate bill 3732 will help do this. It is a bill which was thrashed out thoroughly in committee, after extensive hearings were held in those areas of the Nation hardest hit by natural disasters in recent years.

I shall not attempt to go into the technical provisions of the bill, because I am not qualified to do so, but I should like to tell Senators briefly what has happened in my home State of North Carolina in the past 2 years.

Within the past 18 months four major hurricanes have swept across North Carolina, causing damages totaling well over \$300 million. Three of the four hurricanes occurred within a 5-week period.

The ravaging winds and floodwaters left a sad, almost hopeless, sight. In coastal areas there was nothing left but a few utility poles in some communities. Property owners had to have lots resurveyed to find even the boundaries. Thousands of homes were destroyed or damaged. Many of those that were not blown or washed away were left roofless, pulled from their foundations, and standing cockeyed in several feet of water.

The wind and water knew no friend. They treated homeowners, farmers, and merchants alike. Large business houses with costly inventories, and farms with crops in the fields, were wiped clean. In many areas of eastern North Carolina, it was as if a giant steamroller had lumbered past, leveling everything in sight.

With several hurricanes coming in rapid succession, the people in the affected areas were whipped down psychologically, in addition to the material losses they had suffered.

But immediately new buildings started going up, in the universal determination to rebuild what nature had destroyed. The Red Cross, the Salvation Army, the Civil Defense Administration, the State government, and several agencies of the Federal Government all pitched in and offered the meager assistance they could. But, by and large, the recovery that has been made has come about by the efforts of the people who suffered the losses, by digging into their own pockets and getting loans from local banks.

After everything is added together, the Federal Government has given more advice than action. It has done a lot of consulting and conferring, but very little constructing and conserving.

I assure you, Mr. President, that the people of North Carolina do not labor under the mistaken notion that the Federal Government owes us immunity, or even complete repair from natural dis-

asters; but I do feel that the Federal Government has a very real responsibility in making tangible assistance available. I am speaking of such tangible assistance as the legislation that is before us today.

Certainly, the very least the Federal Government can do is establish an insurance program whereby the dollar loss of the individual can be reduced.

The thousands of buildings and homes and the many acres of farmland that have been rebuilt, repaired, and restored are today without insurance protection against possible future disasters.

Private insurance companies say that disaster insurance includes too many loss factors which cannot be calculated for them to offer it on a broad scale.

With this I agree. And, to make matters worse, I understand that many insurance companies are now hesitant about writing any kind of storm or wind insurance in areas frequented by hurricanes.

It is not only proper, but it is the duty of the Federal Government to bridge the gap in such cases through a disaster-insurance program.

In North Carolina it is a matter of public emergency. The same is true of all Atlantic seaboard States, which in recent years have become hurricane row.

For these reasons I hope the Senate will give its unanimous approval to Senate bill 3732.

Mr. KNOWLAND. Mr. President, I offer the amendments, which I send to the desk and ask that they be read for the information of the Senate.

The PRESIDING OFFICER. The amendments will be read for the information of the Senate.

The CHIEF CLERK. On page 5, line 5, before the period, it is proposed to insert a colon and the following:

Provided, That insurance policies issued under this act after June 30, 1959, shall be issued only with respect to property in those States which participate as provided in section 5 (a) of this act.

On page 6, line 10, before the period it is proposed to insert a colon and the following:

Provided, That after June 30, 1959, each State shall pay from time to time into the Disaster Insurance Fund, hereinafter created, an amount equal to one-half of the difference between the fees charged for insurance policies issued after such date on property in such State, and the amount which would have been charged if the "estimated rates" were applied.

On page 11, between lines 14 and 15, it is proposed to insert a new subsection as follows:

(e) The Administrator may from time to time consult with representatives of the various States to the extent deemed necessary by him to effectuate the purposes of this act.

On page 13, line 3, before the period, it is proposed to insert a comma and the following:

and, after June 30, 1959, the contributions made by the respective States in accordance with section 5 (a) of this act.

On page 19, line 22, after the period, it is proposed to insert the following:

The annual report for the calendar year ending December 31, 1958, shall contain a list of the States which can be expected to participate in the insurance program authorized by this act after June 30, 1959.

Mr. KNOWLAND. Mr. President, I ask unanimous consent that the amendments may be considered en bloc.

Mr. LEHMAN. Mr. President, will the Senator from California repeat the request? I had difficulty hearing him.

Mr. KNOWLAND. I have requested that the amendments be considered en bloc, inasmuch as all of them relate to the same subject matter.

Mr. LEHMAN. I have no objection.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

The question is on agreeing en bloc to the amendments offered by the Senator from California.

Mr. KNOWLAND. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. KNOWLAND. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. KNOWLAND. Mr. President, on the question of agreeing to my amendments, I ask for the yeas and nays.

The yeas and nays were ordered.

Mr. NEUBERGER. Mr. President, as one of the cosponsors of S. 3127, one of the bills for Federal flood insurance from which developed the legislation now before us, I am most pleased and gratified that we have the opportunity today to enact this forward-looking new program. Proposals to establish a Federal flood insurance program go back at least as far as 1951, and much credit is due the distinguished junior Senator from New York and the Committee on Banking and Currency for having brought the present unanimous committee bill before the Senate this year.

The need for a flood insurance program was shown, of course, in the series of disastrous floods which were suffered in New England and on the Pacific coast during the past 2 years. My own State of Oregon was hard hit, our latest serious floods have occurred as recently as January of this year.

I reviewed the extent of these floods, and the tragic damage which they caused, in my remarks on the floor of the Senate in sponsoring S. 3137 on February 7, 1956, and in my statement in support of this bill to the Senate Committee on Banking and Currency on February 27. I shall not repeat this unhappy and shocking story in a long speech now. I would like just to cite some of the final consolidated statistics compiled by the Oregon State Civil Defense Agency after the Oregon floods of this past winter: 14 people dead; \$475,000 worth of damage to crops and \$38,000 worth of livestock lost; \$450,000 worth of damage to farm buildings and \$250,000 worth to homes; total property damage of \$7 million.

The first concern of the people in flood-affected areas, and of their representatives in the Congress, is, of course, with flood prevention. The Committee on Public Works, on which I have the honor to serve, is continuing its efforts on this task. However, an insurance program can do much to alleviate the heavy financial loss which inevitably strikes families and communities where flood prevention has proved impossible or inadequate.

In the absence of any private insurance against flood damage, it is both appropriate and necessary for the Federal Government to step in with a Federal program. We already have ample precedents in Federal crop insurance, as well as other Government insurance programs for war damage, bank deposits, housing mortgages—even veterans' life insurance.

S. 3732 may not be a perfect program. But it has won the unanimous support of the Committee on Banking and Currency and it deserves the support of every Senator. It is a beginning. Only by actual trial and experience over a number of years will we be able to accumulate the knowledge to pass an accurate judgment on the proposed program and to improve it if necessary. The establishment of a Federal flood insurance program is a great step forward, and one which will be greeted with hope and satisfaction by the men and women who live in flood-danger areas in Oregon and elsewhere in the Nation. The bill is particularly essential this year, with the heaviest snowpack in decades now mantling the high mountain ranges of Western United States and western Canada, where rises the vast Columbia River system.

It is my understanding that this is the first time in history that a bill providing for Federal flood insurance ever has been reported to the floor of either House of Congress. I am pleased to have had a very minor role in cosponsoring and supporting the bill.

I congratulate the distinguished Senator from New York [Mr. LEHMAN] for his leadership in this urgent humanitarian project. Can we continue to allow flood victims to be without some protection financially by their Government?

In conclusion, I ask unanimous consent to have printed in the RECORD at this point as a part of my remarks a brief editorial entitled "Western Floods Advance Plan for Conservation," published in the Christian Century magazine of January 11, 1956.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

Christmas floods which cost scores of lives and resulted in damages of over \$100 million in California and southern Oregon rammed home a lesson which the people of that area have been slow to learn. The waters had not receded before it was observed that losses occasioned by the raging streams would have made a substantial downpayment on the cost of dams which had been discussed for years but not built. One of these was to have been built at Oroville on the Feather River, which devastated Marysville and Yuba City. These communities were depending on levees built on

plans which were laid down more than a generation ago—plans which managed to find their fulfillment in pork-barrel bills passed by a succession of Congresses. The levees broke and from that moment were worse than useless. But a short distance away on the American River—like the Feather, a tributary of the Sacramento—Folsom Dam held firm and protected the State capital. Great dams at Shasta, Friant and Pine Flat were in operation during the floods, so no cries of distress were heard from the rivers they control. The foresight which resulted in their construction was justified, and the communities they protected from disaster could more cheerfully pay their cost when they realized from the plight of other areas what trouble they had been spared. Now Congress is to be urged to appropriate funds for projects it authorized more than a decade ago, but did not finance. It will find western representatives more insistent than ever before that not another year shall be allowed to pass before the West, whose population is increasing so rapidly, is protected from disasters like the Christmas floods.

Mr. WATKINS. Mr. President, in announcing my intention to support this bill to provide a pilot-program study of the feasibility of flood insurance and reinsurance, I want it thoroughly understood that I am doing so on the basis of the national interest in this measure.

So far as I am concerned, as a resident of a semidesert, interior State, this is regional legislation that will benefit predominantly the coastal States and certain other States which have a record of heavy flood damage in the past. It will not materially benefit my State and many others, where only occasional, and reasonably light damage is caused by floods.

This regional nature of flood insurance was clearly shown in the record of the Senate hearings on Federal disaster insurance. A table on page 40 of the hearing record gave these estimates of flood losses in the United States by major river basins from 1924 through 1955:

Colorado River Basin.....	\$8,000,000
Great Basin.....	14,000,000
South Atlantic.....	50,000,000
Eastern gulf.....	56,000,000
Great Lakes.....	124,000,000
Red River Basin.....	149,000,000
Western gulf.....	222,000,000
Lower Mississippi.....	230,000,000
Arkansas.....	242,000,000
Pacific coast.....	300,000,000
Upper Mississippi.....	369,000,000
Ohio River.....	836,000,000
North Atlantic.....	1,328,000,000
Missouri River.....	1,640,000,000

I am willing to concede that the greater the loss, the greater the need, and also that the greater the need, the greater the Federal cost. However, I am sure that the residents of the Colorado River Basin and the Great Basin are willing to help their neighbors in other parts of the country ease the losses and damage threats hanging over other flood-ravaged drainage basins, where the problem is too much water in the wrong places. We, on the other hand, hope that these other areas will be sympathetic with our problem in protecting our semiarid areas against an opposite type of problem—lack of water in a desert climate.

As one of the cosponsors of S. 2862, one of the basic bills incorporated in this proposed legislation, I am willing to support this experimental approach to flood insurance, and I sincerely trust that this program, supplemented with serious local and State efforts, and conscientious flood zoning, will help our flood-threatened communities move toward an area of greater economic and physical security.

Mr. MORSE. Mr. President, as a member of the Committee on Banking and Currency, I rise to support and speak in behalf of Senate bill 3732, which is a committee revision of the original measure introduced earlier this session, of which I was one of the cosponsors.

Mr. President, I urge immediate enactment of S. 3732, the Federal Flood Insurance Act of 1956. I have long been convinced that recurring floods with their accompanying severe toll to life and property constitute an area demanding Federal action. The Federal Government acknowledged such a responsibility in the enactment of the Flood Control Act of 1936. Proper measures of flood control should be planned and built with Federal aid, but flood protective works alone will not prevent all flood damage. Considerable time must elapse between the initiation of plans for dams, dikes, levees, and retaining reservoirs and the final completion of the works. Testimony presented to our committee by the Chief of Engineers indicated that at the present rate of congressional appropriations, a minimum of 22 years would be required to put in place those Federal flood protection works already approved by the Federal Government. Yet, as demonstrated by our experience in 1955, new flood threats arise in areas not within the scope of presently planned Federal flood-protection programs. Even where erected, flood protective works may be overflown by floods of unprecedented magnitude.

Federal aid is now made available only for flood protective works that are economically justifiable in the sense that they result in preventing flood damage costing more than it costs to construct the protective works. Therefore, many areas exist throughout the United States, especially those devoted to agricultural pursuits, which cannot be assured of absolute protection from flood damage under the present Federal flood control legislation.

For all these reasons there are a large number of potential flood victims throughout the Nation who should not be left to depend upon charity and their own meager savings in the event they are unfortunate enough to become flood victims. At present, as testimony given our committee demonstrates, there is no private or public source to which these potential victims can turn in order to obtain flood insurance against most forms of property damage. Private insurance companies in general are not willing to risk company funds in such a venture. They fear the possibility of sudden catastrophic flood losses that could bankrupt a single company overnight. They likewise fear that premiums for such flood insurance, if computed according to usual actuarial prin-

ciples, would be too high to attract insurance prospects.

The bill we are now considering meets both of these fears by providing a backstop of Federal credit, both against catastrophic losses and unduly high insurance premiums.

This is truly a national problem. I wish to stress its national aspects. It is a national problem, in my judgment, from the standpoint of several angles of Federal responsibility. It is a national problem from the standpoint of responsibility of the Federal Government to promote the general welfare and to protect the general welfare. It is not a regional problem solely. I believe we need keep in mind that our so-called regional problems have great national effects and implications.

I supported the upper Colorado River Basin program, not on the basis that it was a regional proposal, but that it raised a national question; namely, the responsibility of all the people of the country, no matter where they live, to come to the assistance of their fellow citizens and to support projects which will guarantee to future generations of Americans an adequate water supply in the upper Colorado River Basin. It was basically a great water conservation program, in the sense that it would help to develop the water resources of that area for the needed use of future generations of American boys and girls.

It is very important in America these days for us to raise our sights beyond provincialism and beyond regional arguments and to recognize that what helps the people of Maine, for example, in connection with a flood program, also helps the people of California; it helps the national economy as a whole.

I shall never stand on the floor of the Senate and be either for or against any project on the basis of any regional argument. The time has come when we Americans had better face the problems of Americans everywhere in our country from the standpoint of the premise that as we help one, we help all.

Therefore, I am pleading this afternoon for a bill which will give assistance to our fellow Americans who live in so-called flood areas, where there is a surplus of water from time to time, resulting in serious flood damage.

As I have said, the bill seeks to help solve a national problem and a national need, as well as local needs.

Statistics presented in the staff study prepared for our committee document this point through records gathered by several Federal agencies, including the United States Weather Bureau, the Corps of Engineers, the Department of Agriculture, and the Federal Civil Defense Administration. I shall not take the time of the Senate by going into detail on this point. The facts and figures are fully set out in the staff study. The year 1955 alone indicated the widespread nature of flood damage. Hurricanes and accompanying rains inflicted severe damage on the Middle Atlantic and Northeastern States in August and October. Heavy rains caused disastrous flooding and landslides on the west coast

in December of that year and January of this year.

The Federal Civil Defense Administration estimated the total physical property damage in Oregon alone to be \$8,600,000 from these disasters. Unofficial estimates of property damage in Oregon wrought by the floods range up to \$14 million. The chief of engineers in the Department of the Army estimated the total direct and indirect damage caused by the flood of December 22-26 in Oregon to be \$13.6 million, of which \$9.2 was caused in the Willamette River basin and \$4.4 million by Oregon coastal streams.

The widespread nature of the catastrophe is shown by the fact that severe losses were sustained in at least 17 of the 36 counties in Oregon. Almost 23,500 individuals were directly affected by the floodwaters. Of these 2,000 were evacuated and 14 lost their lives. Sixty-four private homes having a value of \$423,500 were totally destroyed; 233 private homes suffered major damage to the extent of almost \$700,000; almost 1,800 private homes suffered minor damage to the extent of \$471,000.

On the farms of Oregon, flood damage to farm homes amounted to \$251,000. Damage to other farm buildings was computed at almost \$450,000. Farm equipment having a value of \$52,000 was destroyed and an additional \$65,000 of damage was done to other farm equipment. Crops sustained a loss of more than \$475,000. Livestock to a value of almost \$40,000 was lost in the flood. \$117,000 in damage was done to farm fences. Farm roads sustained a loss of \$224,000; irrigation systems suffered a \$115,000 loss and the effects of erosion resulted in a loss of \$819,000.

Small business in Oregon suffered estimated losses of \$400,000. The physical damage to private utilities approached \$128,000, and industrial establishments sustained a total estimated loss of approximately \$275,000. Churches and schools and other public buildings also felt the serious effect of the floodwaters.

The foregoing statistics apply to the State of Oregon alone. The same series of storms also affected other west coast States. Recent estimates made by the American National Red Cross indicate that on the west coast, almost 30,000 families were affected by flood. Of these, 73 were killed, 284 were hospitalized and almost 4,000 suffered injury or illness. Nearly 17,000 homes were damaged and more than 1,300 were totally destroyed. According to estimates of the Federal Civil Defense Administration, the States of Oregon, California, and Nevada suffered total property damage amounting to more than \$226 million in the December-January floods.

As a result of the west coast floods, the Small Business Administration received a net total of 344 applications for disaster loans amounting to \$2.8 million, of which it approved 252 for a total of \$1.5 million. The American Red Cross had expended \$8 million on West Coast flood assistance as of January 17, 1956. Important as it is to the recipients, the aid rendered by these two agencies repre-

sent only a small portion of the total flood damage inflicted on west coast States.

Properly administered, the bill we are now considering will extend flood insurance protection to many who must now look to charity for relief in the event of flood.

In an effort to spread its benefits on as wide a scale as feasible, the bill limits the outstanding face amount of each insurance policy to \$250,000 per person. The bill itself defines "person" to include an individual, a group of individuals, a corporation and a public body. Home coverage is further limited to \$10,000 per housing unit and appurtenances. These salutary provisions should make it possible for those needing it to obtain a fair measure of insurance protection under the terms of this bill.

In my opinion this bill, as reported by the committee, will come much closer to assuring such protection than would the bill introduced under sponsorship of the administration, S. 2862. That bill would have required the State in which the insured property is located to make a monetary contribution toward the payment of the premium of each insurance policy. This theory was advanced under the plausible guise of Federal-State partnership. However, a little serious thought on the part of the administration would have demonstrated that this proposed partnership is as detrimental to the public interest as is the case of proposed power developments suggested by the administration as Federal-private partnership arrangements. The sponsor of the administration's bill, the distinguished senior Senator from Connecticut [Mr. BUSH], was forthright and candid enough to admit, after listening to the testimony presented to our committee, that the proposed State participation scheme would not work. If the administration is seeking a method to scuttle this program while at the same time paying lip service to it, it could find no better way than to insist upon State financial participation.

It is well to note that many States have constitutional barriers against using public funds for private purposes. While legislatures may venture to declare what may be a public purpose, it is generally true that the ultimate determination as to this matter rests with the judiciary. The net effect of such a provision in the bill would be to throw the question into the courts on the basis of suits instituted by taxpayers. Needless to say, this would undoubtedly delay the institution of Federal flood insurance protection in any State where this occurred, regardless of the final court decision.

Wholly apart from the legal problems involved, however, is the fact that many States may not find themselves financially able to participate in this program even though they may be most willing and anxious to do so.

Finally, there may be many States that look upon this as a Federal rather

than a State problem and do not forget, Mr. President, that, in the main, we are dealing with navigable streams which are overflowing, over which problem the Federal Government has jurisdiction. These States will not be inclined to make available State funds toward this program, feeling that the State has already suffered a heavy burden as the aftermath of flood damage.

If, as a result of all of these factors, we achieve a program of flood insurance in but a few of the 48 States, it is easy to foresee that States not enjoying the benefits of the program will be inclined to work against its continuation. In other words, the program will not solve the problem of operating a truly objective pilot program to test the feasibility of a flood insurance program. Rather, will it be hampered from the start with State constitutional and financial problems which need not be thrust upon a Federal flood insurance program. The Members of Congress should constantly keep in mind that this program is intended primarily to benefit potential flood victims rather than the State or the Federal Government.

This same thought should be kept in mind in the administration of the insurance and reinsurance programs authorized by this proposed legislation. I think care must be exercised in operating the reinsurance portion of the flood insurance program in such a manner that it does not result in a subsidy to the private insurance industry. The bill properly assigns to the Commissioner the duty of negotiating a fair reinsurance fee to be charged to the private insurance companies making use of the reinsurance programs. Obviously, if the Commissioner sets the fee at too low a level, the difference between that level and the higher level that should have been charged, represents a subsidy which must be assumed by the Federal government. Whether or not this is passed on to the insured depends upon the terms and conditions of the flood insurance policy written by the private insurance company that takes advantage of the Federal reinsurance program.

I see the further danger that, unless properly administered, the reinsurance program may result in Federal backing for private insurance companies that choose to write flood insurance policies involving the better risks, leaving the poorer flood risks to be assumed, if at all, by the direct Federal flood insurance program. I do not intend to impeach the good faith of the private insurance industry.

In fact, as a member of the committee, I wish to thank some of the leaders of the private insurance industry for the fine cooperation and assistance they gave to us in trying to work out an acceptable program. As I think the industry should, it has offered to assist the Federal Government in the operation of these programs, and I wish to express my appreciation of the private insurance agencies for their offer of assistance. But I am saying that the Commissioner of the program must constantly bear in mind that its benefits are designed for the potential flood victim rather than the private insurance industry.

Along the same lines, I think the Congress must be cautious in following up the operation of the insurance and reinsurance programs authorized under this bill so that 5 years hence, or at some future date, they do not add to the already mounting number of giveaway programs surrendered by the Federal Government to private industry without adequate compensation.

I appreciate that there is nothing in the bill now before us which by itself would authorize the Government to turn over any part of the insurance or reinsurance program to private industry, but there are provisions in the bill looking toward the ultimate take-over of these programs by private insurance companies. I think it becomes the burden of the Congress to see to it that these programs are administered with an eye to providing protection to potential flood victims rather than as a means of building up an attractive reserve that will ultimately benefit private insurance companies.

The programs authorized by this bill can be made to work. A sincere and competent Commissioner, keeping in mind the true aims of this legislation, can do much to bring into being a helpful insurance program that will afford protection to potential victims of floods who now seek that protection in vain.

Even the administration concedes that this is a proper sphere for Federal activity. While personally I might hope for more adequate safeguards in this bill to protect the public interest, I think it offers an immediate prospect of assistance to inhabitants of the United States who sorely need that assistance. For these reasons I shall personally support this bill and I urge my colleagues to join me in that support.

Mr. President, in closing, I ask unanimous consent to have printed in the RECORD as a part of my remarks, excerpts from certain letters, in some instances the complete letters, and a statement which I made on February 6, 1956, together with another statement I made on January 5, 1956, in support of flood insurance legislation.

There being no objection, the letters and statements were ordered to be printed in the RECORD, as follows:

EXCERPT FROM LETTER FROM FRED M. SLADE, OF PORTLAND, OREG., INSURANCE MAN

Senate bill 3137 appears to me to be by far the best proposal since it would require much less time to set up the mechanics of the plan outlined by this bill. In addition it is designed to provide reasonable rates which will encourage wide participation and will attract buyers in the less hazardous areas as well as the districts where flood is a constant threat.

I believe it will be possible to develop markets with the private insurance companies for excess flood insurance once the Government was in a position to provide the first \$10,000 on residential property and \$100,000 on industrial properties.

EXCERPT FROM LETTER FROM R. W. MADDOX, OF CORVALLIS

I am deeply interested in insurance for flood victims for the reason on December 21, 1955, the water in my front yard was 2½ feet deep and had it risen 6 inches more it would have ruined my entire possessions. At the present, I am unable to get flood insur-

ance from any of the insurance companies. I trust you can see fit to support this bill.

FROM KEN G. WHITAKER, TVA PUBLIC POWER ASSOCIATION

Until levees or dams can be built, we think it nothing but fair and just that some form of insurance be established to reduce to as great an extent as possible the disastrous effect in loss of life and property.

EXCERPT FROM LETTER FROM A. W. METZGER, BOX 269, SALEM, OREG., JANUARY 6, 1956

As you know, we are still having rain and high water. I am interested in your attitude toward starting of flood control dams, also dams for electrical energy. It is a shame politics interferes. The late Charlie McNary has told me more than once, that we pay for a dam with the loss of property and topsoil after a flood, yet have no dam. So more power to you, let's get these dams in and help the flood conditions. The present dams have done a wonderful job.

One more item is: disaster insurance. Outright grants of the Red Cross are definitely helpful and I cannot say too much for them, but loans by the governmental agencies, while useful, I don't believe is the right approach to the problem. When a loan is made from a governmental agency you have meddling and dictatorship from the agency making the loan, which is not desirable.

PORTLAND, OREG., January 17, 1956.

HON. WAYNE MORSE,
United States Senate

DEAR SENATOR MORSE: We are desperately in need of help in a project far beyond our own capabilities. A year and a half ago, in August 1954, we purchased 150 feet of river frontage land on the Columbia River at 185th and Marine Drive, Portland, Oreg. At that time, there was sufficient land on which to build a house.

Last year during the high water an eddy, which swings around at this point due to a rock projection up river, ate out about 5 feet of the property. At that time we called the United States Army engineers, Pittock Block, Portland, Oreg., and were advised that nothing would be done as they had no report as to any need for corrective measures.

Last December, during the high water which just recently receded, at least 7 feet of bank, including trees, roots and all, were washed away. This is so serious that it is apparent that in the next high water which should be around May 1956, another 3 or 5 feet will be washed away.

With this movement, it is impossible for us to go ahead with our plans to build as in another year if another 10 feet is washed away, it will be very close to the base of the dike with insufficient land on which to build. We do not know who's responsibility it is to keep the bank of the Columbia River from washing away. However, we do know that it will be a very short time when it will definitely jeopardize the dike itself if left to continue, and in another year our property will be worthless to us, an investment of \$1,500.

We have also talked to the Multnomah County Drainage District, to whom we pay drainage district taxes, and have been informed that it is not their responsibility until the bank is washed away up to the dike itself—and as far as we are concerned, that will be too late.

The measurements we have quoted above we are sure are correct—we measured this particular ground last fall when we planted flowers in the plot of ground which washed away. The fallen trees and roots are still there as mute evidence to these facts. We would like to know where the responsibility lies in reinforcing the river bank, and at what stage action will be taken.

We urgently need your assistance as we have exhausted any local information we can get.

Thanking you, we are

Sincerely yours,

Mr. and Mrs. CHARLES H. WEATHERSTON, Jr.

EXCERPT FROM LETTER OF L. M. TYVOLL, LEABURG, OREG., DECEMBER 12, 1955

The canal runs parallel to our place across the highway and it seems that the Eugene Water Board empties this during high water and it increases the flow of water on our property. Yesterday a hole appeared in our driveway where my car was parked and water was flowing under this hole. This perhaps means that the whole driveway will go into the river at any time.

We would like to preserve our home but are at a loss as to what action we can take. It seems very probable that the house itself could be washed away in the not too distant future.

GRANTS PASS, OREG., May 6, 1956.

SENATOR WAYNE MORSE,
Washington, D. C.

DEAR MR. MORSE: My good friend, Mayor Elwood Hussey, Cave Junction says you are for and with the small-property owner.

I retired here about 10 years ago, bought 20 acres on the Rogue River, still owe \$7,200 which I am paying off at \$100 a month. I grow fruit, vegetables, melons, berries, and do a little real estate to make a living.

Both floods last winter got us. The first water was 5-foot deep in cabin, swept out or ruined most of contents. Took a bulldozer several days to remove trees, level sand and gravel bars. Our loss was around \$5,000.

We hope you will remove the nightmare of another flood by securing flood control, not only for the Rogue River Valley, but all of southern Oregon. The cost will be repaid by folks retiring, buying homes, business, etc., and loss by future floods.

Read in paper the Folsom Dam above Sacramento, Calif., saving an estimated flood damage of \$85 million, about cost of the Folsom Dam.

Proper dam or dams on the Rogue and other rivers will not destroy fish or wildlife. This has been proven by the Shasta Dam above Redding, Calif. and other dams, but increase them.

Flood control means peace, security, prosperity for those like myself who have their all invested, and the hundreds of thousands that will come once flood control is assured.

My most sincere thanks and gratitude for what you already have done.

Sincerely yours,

CARL D. FRERICHs.

GRANTS PASS, OREG., January 11, 1956.

Senator WAYNE MORSE,
Washington, D. C.

DEAR SIR: I am writing to you to tell you that any flood control that will help our little neighborhood would be so greatly appreciated. We had 54 inches of water in our home and it isn't the water that does the damage as much as the silt and odor. Our damage is about \$2,500 and at our time of life that is quite a loss. My husband is 58 and I'm 54. Besides the financial loss, there are the irreplaceable items such as books (old and new) photos and snapshots and diaries that I've kept since 1930. Some of our neighbors lost more, others less. All this just before Christmas. We had ordered a TV set as our Christmas gift and luckily they hadn't delivered it yet, so we had to cancel that first thing. I never realized the anguish and despair to come back into a home that had been flooded, until I came into my own. To see all your belongings in mud—furniture upturned, everything covered with mud—including electric stove, sewing machine, table, chairs, end tables, etc. Lamp shades on floor in the mud. Tomorrow,

it will be 3 weeks since the flood and the refrigerator and oven are still dripping water. We have 2 straight chairs to sit on and eat at a card table.

So anything that can save about 100 families from all this chaos and despair and feeling of hopelessness will be worthwhile. A person would feel more like fixing the walls, floors, and woodwork, and replacing the furniture if one felt this wouldn't happen again through some sort of flood control.

We have contacted rehabilitation and think we will get around \$500 in aid from them, which will help us so very much.

Here's hoping for flood control.

Very truly yours,

MARGARET KAUFMAN

Mrs. Lloyd Kaufman.

EXCERPT FROM LETTER FROM MR. AND MRS. NORVAL MOORE, MAY 2, 1956

According to the paper, the Army engineers used to work on a flood-control program for the Rogue Basin and report to Congress by 1958. That will be too late to prevent great damage here in case there is more high water. * * * A man from the Medford office that made the survey said that there was a dandy place to build a dam. Why wait and risk further damage and spend more thousands on the channel which may go down the river? We can rebuild our dike but wonder how much good it will do if there is no overall program which will fix the banks above ours.

We thought we wanted to live by a river but we came too close to being in it. If we had known 5 years ago what we know now, we would not have built a \$20,000 house so close to it. The water came up in the yard but came no closer than 15 feet or so from the back of the patio. There was a big hole washed in our orchard and piles of debris left in the yard. Our total damage according to our local soil men's survey was \$7,200. We do hope and pray that some permanent plan can be worked out on flood control and soon.

EXCERPT FROM DR. SAMUEL A. BRANDON,
DENTIST, PORTLAND, JANUARY 13

I own a farm on the Willamette River near Canby. The high water of the river is causing erosion and has washed away about 50 feet of the property. A man from the United States engineers office came out last week and took pictures of the damage. They told me that the situation is serious, but they cannot do anything without the matter being voted on by Congress.

We purchased the property in 1952 and have planted the river bank with willows, bamboo, and blackberries, but each winter these plantings are washed away. All the large firs which were considerably within the property have toppled into the river and now there is nothing to hold back the erosion. This year I have lost about 10 to 15 feet in width, and 1,000 or more feet in length. I have tried to take care of the situation, but it has gone beyond my control and I feel it is a Government job. If this continues I will lose my filbert orchard and home.

Later letter: Since our last letter a large fir tree has toppled into the river and more land has fallen, now reaching our fence. We do hope that something can be done.

EXCERPT FROM CONGRESSIONAL RECORD, JANUARY 5, 1956, PAGE 108—REMARKS OF SENATOR WAYNE MORSE, DEMOCRAT, OF OREGON
FLOOD CONTROL

Mr. President, our problem is not only to bring relief to the people who have suffered these disasters, and to provide some insurance protection to help them when other disasters come, but our real job of statesmanship in this field is to proceed with public

works which will prevent the recurrence of such disasters.

I should like to show the Senator from Connecticut the horrible disaster in those parts of my State where we had not developed the dams which would have prevented the recent floods. Then I should like to show the Senator from Connecticut the parts of my State which, if we had not built the dams that are there now, would have been washed out along with those parts of the State that suffered the great flood disaster.

I should like to take the Senator from Connecticut to my home county in the area below Detroit Dam and show him what happens when we build flood-control dams.

I wish to stress at this point—and I shall not take longer now, because I shall discuss the subject at some length next week—we need to build many flood-control dams throughout the Nation. The importance of a preventive program of speeding along with the multiple-purpose dams, for which I have been fighting during all my years as a Member of the Senate should be faced up to by this session of Congress. I call particular attention to the Hells Canyon Dam and to the great flood-control water storage which it would provide in my State from that standpoint alone. If flood-control water storage were the only justification for the Hells Canyon Dam, it would be sufficient justification for the Federal Government to build the dam. I contrast the great water storage which would be provided by Hells Canyon Dam with the puny water storage which would result from the Idaho Power Co.'s plan, on which this administration to its discredit has placed its stamp of approval.

What we should do at this session of Congress is stop stalling on legislation which would protect our people from unnecessary flood losses and proceed with a Federal flood-control program by appropriating money for the most rapid completion in the Willamette Basin of Cougar Dam, for example, by the Federal Government of the Hillis Creek project, by the Federal Government of the Green Peter project. Then on the Columbia we should appropriate the money for speeding up the John Day project as a Federal Government project, contrary to the unfortunate and sorry partnership recommendation of the President of the United States in his state of the Union message today. We should vote the necessary funds to speed up Ice Harbor and every other authorized project so sorely needed to give the people in the Pacific Northwest protection from the constant threat of flood disasters. Do I plead alone for the people of my State? Not at all. Each one of us is a Senator from our State for our Nation. I plead for a comprehensive flood-control program for the Nation. I pledge my support to other Senators who are confronted with the same flood-control needs in their States. If we build such great monuments to disaster prevention, we will live up to the requirements of statesmanship in the field of disaster prevention.

In this session I recommend such Federal projects to the President of the United States, and I respectfully suggest that he send to Congress an amended state of the Union message on the whole matter of water resource development and flood prevention.

STATEMENT OF SENATOR MORSE ON COSPONSORSHIP OF FLOOD INSURANCE BILL

It is my hope that the tragic lessons of the flood disasters of recent months have been learned sufficiently to get vital legislation for prevention and relief enacted.

The Lehman bill, which I am cosponsoring, would provide a workable plan for protecting individuals and businesses from bearing the full burden of future flood losses. It is a great improvement over the administration proposal which would bog

down because of the requirement for State participation. Our bill also provides standards for rate making that promise to provide insurance at rates individuals and corporations can afford.

This is badly needed legislation. It is only part of the program needed to meet the flood problem.

Congress must press forward with authorizations and appropriations for urgently needed flood control to prevent the loss of life and property.

Congress has already acted to provide needed disaster low interest loan authority to business and homeowners. We must be sure that this legislation in practice meets the needs of homeowners and small business establishments in digging out and starting over.

Some revisions of the tax law would also assist families and corporations in overcoming their losses in part. As an example, erosion of land is not presently treated as a flood loss, although it would be covered by our insurance bill. Under present regulations of the Internal Revenue Service business losses due to flood casualties are not fully deductible. The IRS regulations only permit a percentage deduction which presently appears to me to be artificial and a handicap in recovering from disaster losses. Under the present law, business capital replacements are not available for deductions but must be treated in large part as new capital investments. These subjects require study and revision. They are not within the jurisdiction of the Banking and Currency Committee which will handle the flood insurance bill and thus cannot be included in our bill. But they are part of the overall problem and should receive attention at this session in order to aid farms and firms in rebuilding.

I am continuing a study of the feasibility of other assistance to flood victims including limited direct compensation.

For thousands of Americans the real problems of floods begin, not end, when the waters recede. Congress has the double obligation of meeting the threats of past floods and aiding those who have already lost the fruits of years of saving and effort.

Mr. NEUBERGER. Mr. President, will my colleague from Oregon yield?

Mr. MORSE. I yield.

Mr. NEUBERGER. What is the attitude of the senior Senator from Oregon regarding the amendment which proposes so-called payments by the States of matching funds?

Mr. MORSE. As I said, I think such an amendment would have the effect of scuttling the bill. There are two great drawbacks to the proposed amendment. One is the constitutional barrier which would have to be hurdled in a great many States, and, in my judgment, in many instances it would be insurmountable.

Furthermore, in a great many States there is not sufficient financial reserve to put up the money.

Mr. NEUBERGER. Does the Senator know of any similar provision that calls for the insurance of crops which are damaged by hail or any other catastrophe?

Mr. MORSE. I do not know of any at all.

Mr. NEUBERGER. Does the Senator know of any such provision in connection with Federal insurance of bank deposits?

Mr. MORSE. I do not.

Mr. NEUBERGER. Does the Senator think the protection of people and families who have been devastated, washed out of their homes by floods, is as im-

portant as the protection of bank deposits?

Mr. MORSE. Yes; and it is also very important under the general welfare clause of the Constitution.

Mr. NEUBERGER. Is it not a fact that floods which often cause such tragedy and destruction are no respectors of State lines, and certainly do not stop or turn back when they reach State boundaries?

Mr. MORSE. The Senator is correct. I think it is a great mistake to take a so-called regional approach, or provincial approach, to problems of national catastrophe, because it is not a Maine catastrophe, it is not a Massachusetts catastrophe, it is not a Connecticut catastrophe when a great flood occurs in those States or in States in the West. It is a national catastrophe. I also happen to believe that it places upon all Americans the responsibility of coming to the assistance of the people through the Federal Government, and I think it is in keeping with the philosophy which I have expressed many times on the floor of the Senate, that, after all, this Government was designed to promote the general welfare.

When a segment of our population finds itself confronted with a disaster, then I think the Federal Government has the moral responsibility and the legal duty of coming to the assistance of the victims of the disaster, which is what the bill purports to do.

Mr. NEUBERGER. The Senator and I live in a State which is drained by one of the greatest river systems on the globe, the Columbia River watershed. Just as that river system offers many benefits, it also presents, from time to time, certain perils. I feel sure that the people of Oregon, who have been confronted with flood dangers on many occasions in the history of our State, will be grateful that their senior Senator has taken a position and has assumed a role of leadership in helping to develop the first Federal flood-insurance bill ever presented to either House of Congress.

Mr. MORSE. I appreciate what my colleague has said, but he knows that all I am doing is standing shoulder to shoulder with him in a cause which I think is in the interest of the general welfare of our people.

The Senator has mentioned the benefits which come from our great river system. The benefits from that great river system are not limited to the States through which the river flows; the great economic benefits of that river system accrue to the economic advantage of every man, woman, and child in America, wherever they may live, because those benefits contribute to the national economy.

Again, I think we must take a broader look at these great social welfare programs—for that is what this one is—because when we help to carry out a program in one part of the country, we benefit the entire country.

Mr. KUCHEL. Mr. President, there is no need for me to retell any part of the tragic story of last winter's floods as they devastated life and property across the Nation. Suffice it to say that the State which I have the honor, in part, to repre-

sent is fully aware of the tragedy which resulted by reason of floodwaters ruining whole communities and areas in California.

It was on Christmas Day last year when my colleague, the distinguished senior Senator from California [Mr. KNOWLAND] and I participated in a meeting called by the Governor of California, the Honorable Goodwin Knight, in the capital of our State, at which many individuals representing various agencies of the Federal Government, including the Military Establishment, met with the members of the State government and Members of our congressional delegation, to see what could be accomplished toward rapidly alleviating the disaster caused by the flood, and to determine what might be done by Congress to be of greater assistance in the future.

I think I should, in the beginning of these remarks, take a moment to congratulate the various agencies of the Federal Government for the unselfish and complete cooperation which they gave to the various areas in California which were damaged or destroyed last winter. As a result of that misfortune, I was very glad, in January, to join with a number of my brethren in sponsoring proposed legislation designed to provide for flood insurance. I remember very well how elated all of us were when the President of the United States asked Congress to consider that problem as a basis for legislative action this year. Now the Senate is about to vote on a carefully considered bill.

I offer my sincere congratulations to the distinguished junior Senator from New York [Mr. LEHMAN], who conducted long hearings into all the ramifications of the whole field of disaster insurance; and in congratulating him, I may say that, in my judgment, the bill is one of the best to have been reported at this session of Congress.

Mr. LEHMAN. I thank the distinguished Senator from California.

Mr. KUCHEL. I wish particularly to speak with the distinguished Senator from New York in reference to one aspect of the proposed legislation, because, as he knows, my interest was not merely in the field of providing Federal flood insurance; but by reason of the peculiar terrain and history which California has, I likewise was interested in developing the possibility of legislation providing for insurance against disaster broad enough to include such other types of hazards of nature as earthquakes. Again, I wish to say that I am grateful for the manner in which the Senator from New York permitted me to testify and to supply data relating to that additional hazard.

Mr. LEHMAN. Mr. President, will the Senator yield?

Mr. KUCHEL. I yield.

Mr. LEHMAN. I merely wish to say that in the first tentative bill which I presented to the Committee on Banking and Currency, I included not only all natural disasters, but also man-made disasters, and provided protection against losses from attack by atomic and hydrogen bombs, in the unhappy event, which I hope will never happen, that we should again become involved in a war.

But as we proceeded with the hearings and into a consideration of the situation, we found that the subject was so complicated that if we attempted to go beyond the first step, which was the most urgent step, of protecting people against floods, we would have no chance either of agreeing to a bill in the committee or of having it passed by the two Houses of Congress. So it was decided, temporarily, at least, to limit the bill to flood insurance, or rather to insurance against waters which brought about floods, whether they came from rainfall or high tides or hurricanes. I think any other course would have made it impossible for us to have met with any degree of success.

The Senator from California has been most helpful in every way in the preparation of the bill, as he has been in many other ways.

Mr. KUCHEL. I thank the Senator from New York.

Mr. LEHMAN. I think the Senator will recall a provision to the effect that the commissioner shall study the situation and make recommendations to Congress with regard to the possibility of including other forms of natural disasters which would not conflict with the purposes of the bill.

We made a very definite dividing line between catastrophes for which insurance was available. My first instinct was to go very, very far into the matter; but, I felt that, as a practical matter, it was perfectly hopeless to do so. We wanted to have this bill passed, and I think it is a great step forward.

Mr. KUCHEL. I could not agree more completely with the Senator from New York, and I point out that a section of the bill provides, as my friend has suggested, that the commissioner shall make studies of other types of disasters, which may well furnish us the basis, assuming the bill becomes law, on which to offer in the next session of Congress amendments to broaden the scope of the present bill.

Mr. LEHMAN. I have no doubt that that will happen.

Mr. KUCHEL. I sincerely thank the Senator from New York.

I also wish to pay my respects to the distinguished Senator from Connecticut [Mr. BUSH], who likewise has worked long and painstakingly in this field, and who, must receive great credit for having the bill brought before the Senate today.

In that connection, Mr. President, I ask unanimous consent to have printed at this point in the RECORD a letter dated February 22, 1956, written by the junior Senator from New York [Mr. LEHMAN] to me, and a letter dated May 1, 1956, written by me to the junior Senator from New York.

There being no objection, the letters were ordered to be printed in the RECORD, as follows:

UNITED STATES SENATE,
Washington, D. C., February 22, 1956.
Hon. THOMAS H. KUCHEL,
United States Senate,
Senate Office Building,
Washington, D. C.

DEAR TOM: I want you to know how deeply I was interested in your testimony on disaster insurance before my subcommittee yes-

terday morning. It was constructive testimony, and I want you to know that as far as I am concerned I will give very sympathetic consideration, indeed, to any informational surveys you can supply on the availability of earthquake insurance, including its availability at what might be considered reasonable rates.

Although the insurance representatives at our hearing yesterday testified that earthquake insurance was in fact generally available, it may well be that what they consider generally available at reasonable premiums is not what an objective survey of the situation might disclose. Of course, I would like to make the program we are working on as broadly appealing as possible, but, at the same time, I would like to see it kept within such limits as will make it invulnerable to the potential charge that it is encroaching on the proper preserves of the private insurance industry.

There is a point that I don't think you covered in your testimony, as I remember it, on which I would sincerely like to have your guidance and reaction. A provision in the administration bill requires State contributions to the cost of the insurance in order to make any person in that State eligible for coverage. It seems to me a most unwise and impractical provision, since many States will be unable to participate and, hence, the program will never get off the ground. I would like to have your judgment on this point in regard to California. I would be glad to have your view either informally and unofficially or on the record, whichever you prefer. I look forward to hearing from you on this.

With kind personal regards.

Very sincerely yours,

HERBERT H. LEHMAN,
United States Senate.

MAY 1, 1956.

Hon. HERBERT H. LEHMAN,
United States Senate,
Washington, D. C.

DEAR SENATOR LEHMAN: In the event the Flood Insurance Act of 1956 (S. 3732) comes up on the Senate floor for consideration while I am necessarily absent, I shall be grateful if you will comment on an aspect of the disaster insurance problem in which I have been deeply interested and about which I have corresponded with you. I refer to the availability and cost of protection against property damage due to earthquakes.

I appreciate that the complex nature of various disaster insurance problems impelled the Committee on Banking and Currency to limit the scope of the experimental program indemnities for flood losses. Without question, there is a desperate need for such protection for our people and their properties and the tremendous damage due to floods each year warrants the speediest possible action to initiate an insurance program against such catastrophes. I should support the bill presented by the committee enthusiastically, were I present when it is taken up for debate and action.

I note that the committee has incorporated in this legislation a provision directing the Flood Insurance Commissioner to make continuing studies of the availability of privately issued insurance against risks from other natural disasters, including earthquakes. I trust that such studies can and will be aggressively carried forward because, as I wrote you on December 1, I believe "it is incumbent upon every agency with resources and facilities that might be employed to cushion the blow, to minimize the damage and make possible the quickest and least costly recovery" from floods, forest fires, earthquakes, hurricanes and such other unforeseeable and unpreventable disasters.

You will recall, I am sure, that I appeared before the subcommittee during hearings on disaster insurance bills and subsequently

wrote you submitting further information about the availability of earthquake insurance. I realize this problem has several unique and complicating factors which require more investigation and consideration than were feasible in preparing S. 3732 for presentation in time for discussion and action this session. However, I should like to point out once again that the coverage against earthquakes presently available is limited in many regards, is much more costly than other types of protection against catastrophic losses, and invariably carries a unique deductible feature which even the private insurance industry concedes reduces its attractiveness. If through this legislation better protection can be afforded, our Nation as a whole will benefit materially.

I wish to commend you and the members of your Subcommittee on Securities for the industrious and sympathetic manner in which the various disaster-insurance proposals were considered and to join in the hope that through this legislation the people of our Nation may be provided added protection against the exceedingly costly direct and indirect monetary blows which floods too often inflict.

With best wishes, I am,

Sincerely,

THOMAS H. KUCHEL,
United States Senator.

UNITED STATES SENATE,
Washington, D. C., April 9, 1956.
Hon. THOMAS H. KUCHEL,
United States Senate,
Washington, D. C.

DEAR TOM: I understand that the Banking and Currency Committee staff has already sent you a copy of the second series of hearings on Federal disaster insurance, in which you were good enough to participate.

I am sure you will be interested to know, if you have not already heard it, that our subcommittee has been meeting in executive session with a view to resolving the differences between my bill and the administration bill, and to solving some of the substantive and technical problems that were brought out in the course of the hearings. Good progress has been made in this direction and I am hopeful now that we will be able to report a bill to the full committee, and then to the Senate, by the end of April.

With kindest personal regards, I am,

Yours very sincerely,

HERBERT.

Mr. KUCHEL. Mr. President, I want to say, as I conclude, that this proposed legislation presents an opportunity to the Congress of the United States to provide assistance to people—little people—whose homes or whose businesses are ravished and destroyed when flood strikes, and who today are completely unable to find any type of insurance against that kind of disaster and to enact legislation which will give some measure of protection against similar disaster in the years ahead.

Mr. SCHOEPPLE. Mr. President, before I speak on an entirely different matter than the measure presently before the Senate, I wish to say, since I have listened to the debate and the presentations on the part of those supporting the proposed legislation now pending, that I approach the matter with a great degree of understanding, because of the fact that my State, and the sister State of Missouri, in 1951 suffered great devastation and harmful results because of a tragic flood. So we look with much feel-

ing, compassion, and understanding upon the situation sought to be covered by the bill.

I want those who have been in charge of the bill to know that it will have my wholehearted support.

Mr. LANGER. Mr. President, will the Senator yield for a question?

Mr. SCHOEPPPEL. I yield.

Mr. LANGER. I wish to commend the Senator for what he has just said about the flood that took place a few years ago, which affected Missouri and Kansas City; but I want him to know that every once in a while we have floods in the State of North Dakota.

The Cannonball River ran over its banks and washed away a large number of buildings which were located on the river. The people affected were desperate. Of course, they received disaster loans, but the loans proved to be unsatisfactory, especially when the interest rates were raised.

I am delighted to join with the Senator from Kansas in supporting the bill now before the Senate.

LOBBYING AND CAMPAIGN CONTRIBUTIONS

Mr. SCHOEPPPEL. Mr. President, with the permission of this honorable body—and I should like to emphasize that it is an honorable body—I shall make some brief remarks concerning the investigative project of the Special Senate Committee, formed under Resolution 219, to receive testimony on the current practices in lobbying and campaign contributions.

Regarding the Committee's first directive, it is the hope of all of our members that this investigation will result in important benefits to the present procedures of lobbying. But I believe that most of us can also conceive of the possibility of its resulting in very substantial damage to the dignity and stature of this legislative body.

Regarding lobbying in America, I am reminded of an article, written in 1935 by Raymond Moley, who is truly an elder statesman in the field of political journalism. Mr. Moley wrote:

Lobbies, about which we are hearing so much these days, are an inevitable aspect of republican government.

They fill a need created by modern economic life, which is a mesh of many interests.

If we recognize these interests as legitimate, we speak of them as interests; if we do not like them, we call them in an italicized voice interests. If we hate them and are fighting them, we call them big, vested, or special interests.

But interests they are, and they multiply, overlap and conflict.

It is the admitted responsibility of the Congress and the Senate to prepare and pass upon the ground rules under which these overlapping and conflicting interests compete with each other. But it is, I believe, also the responsibility of the Congress and the Senate to gather the evidence and write the rules, dispassionately and with dignity.

We should run no risks that our deliberations may turn into a Roman holi-

day for the benefit of sensational journalism.

And, referring to the general area of the activities which we call lobbying, I should like to again quote Mr. Raymond Moley:

It is difficult to indict a method which, in its essence, is the ancient right of petition in a modern dress.

Mr. McCARTHY. Mr. President, will the Senator from Kansas yield?

Mr. SCHOEPPPEL. I yield.

Mr. McCARTHY. The Senator is making a very important speech. I wonder if he would like to have me suggest the absence of a quorum. There should be more Senators present to hear the Senator from Kansas.

Mr. SCHOEPPPEL. I thank the Senator, but I should like to forego his suggestion.

Mr. President, regarding the right of petition, there is a traditional policy in Washington which every American citizen critical of lobbying should know and understand: On nearly every entrance door in the Senate Office Building there is a sign which reads, in effect, "Come in, you are welcome."

Were this sign ever to be removed, dictatorship would get its first foothold on the Republic of the United States of America.

II

Mr. President, those among our population who, in their lack of information, condemn the practice of business lobbying as a sinister influence in our public life, would be astonished to discover that the widely publicized groups referred to as the power lobby, the oil and gas lobby, the steel and chemical lobbies, and so forth, are relatively unimportant, compared to other groups, such as the farmers, the veterans, the labor unions, and others whose activities are usually considered to be exclusively in the public interest, instead of in the private interest. These citizens would be still more astonished to make the discovery that the biggest of all lobbies are the departments of the Federal administration—the Army, the Navy, the Air Force, the Post Office, the State Department, the Treasury Department, foreign aid, and its associated lobbies.

Another fact to be considered is the widespread public ignorance of the Supreme Court decision in 1954, which declared that the much-criticized activity of inducing private citizens to telegraph, write, or telephone their elected representatives in Washington, falls outside the legal area of lobbying, and therefore falls outside the area of the special committee's jurisdiction.

As to the actual day-to-day operations of Washington lobbies, I do not know a single Senator or Representative who does not value the data and information emanating from these offices. Regardless of whether one wishes to support or oppose a given piece of proposed legislation, our positions can be assumed much more intelligently and articulately by securing the boiled-down viewpoint of the protagonists on both sides. The public, which, unfortunately, is preoccupied with the more sensational aspects of

lobbying, does not know that one single, well-written, time-saving analysis is more influential over congressional action than a dozen offers of special favors, free dinners, or elaborate cocktail parties.

But it is inevitable that there will be coming before the special committee witnesses who will spend much of their allotted time dramatizing the special favors, the free dinners, and the elaborate cocktail parties. And it is also inevitable that the prejudiced segments of the press will miss no opportunity to use this testimony to excite the uninformed public.

III

Mr. President, the work of this special committee will also certainly involve a discussion of certain legal attitudes, in force today which, in my opinion, are not completely rational.

There are two large groups of citizens, both of which sincerely believe that they have conflicting interest which should be properly represented in Washington. These two groups are: the millions of people who work for corporations, and the millions of people who own those corporations.

For a long time it has been held illegal for the management of American corporations, representing their millions of owners, to use any of the owners' money in support of political candidates sympathetic to their problems. But it is completely legal for the heads of the other group, the leaders of organized labor, to spend huge amounts of their members' money to support candidates who, if elected, can be counted upon to support proposed legislation which the labor leaders consider beneficial to their interest.

It would seem to me that any furtive, undercover campaign contributions which might come from illegally minded corporations would be puny indeed, compared to the \$3 million now reputed to be in the war chest of labor. Moreover, the members of labor unions have their own built-in lobby, known as the United States Department of Labor—and I am not objecting to that; whereas, the members of the stockholding group have no such official representation in the Federal administration.

Regarding this low lobbying estate of the investing American public, many of us will remember the shabby official treatment accorded by Congress and New York State about 10 years ago to a completely legitimate effort to organize stockholders into their own union and give them political-action equality with their employees. I am referring to the now defunct Tool Owners Union. In Washington, this fast-growing project was declared to be objectionally reactionary. In New York State, it was denied the right to incorporate as a union, and, under the skillful guidance of labor lawyers, it was quietly put to death.

So, as matters now stand, the political interests of corporate stockholders can be advanced neither by themselves nor by their corporate officers.

IV

Let us review the lobbying that created such a sensation during the Senate's

consideration of the now famous natural-gas bill. Four groups of citizens were either for and against this proposed legislation; two were for it, and two were against it. The fact that there is some duplication in the reasons for their position does not change the basic facts. The first two pro-or-con groups were composed of people emotionally for or against the socialized control of natural resources. These people had no specific economic interest in the outcome of this legislative contest. They were merely lobbying—as is their constitutional right—for the kind of economic system they wish America to have. They were, therefore, fighting on ideological, rather than economic grounds.

The other two pro-or-con groups were motivated by their specific economic interests involved in the question of Federal price control over the price of natural gas at the wellhead.

Those opposed to the price control were the gas producers and pipeline operators who were arguing for a free competitive market for their production and service.

Those favoring price control were certain big-city mayors, certain organized consumer groups, and certain gas-distributing public utilities.

Unlike the two groups previously mentioned, the actions of these protagonists were not dominated by any ideology: they were natural and justifiable attempts to improve or protect their economic positions. And to deny them that privilege would be to deny them the protection of the first amendment of our Constitution.

v

Mr. President, regarding the ideological aspects of the natural gas price-control dispute, it is important to consider the long-range objectives of socialism. Natural gas is more important to the future of Socialism in America than might appear on the surface. Gas is not only made by Mother Nature in the ground; it can be made, and is also made, from coal, the socialization of which is very near and dear to the hearts of our leftish inclined citizens. Moreover, socialized coal might at some future date become an important source of motor fuel, an event which could not help but please those who are dedicated to the destruction of America's free competitive enterprise system. This last remark will, of course, evoke columns of pious sarcasm and criticisms of witch hunting from the left-wing press, whose members can see America's future only through the distorted lens of what is called a split economic system—half socialized and half free—with socialized segments controlling the raw materials upon which the supposedly free segment must depend for its operations.

But the hard fact remains, as was remarked by the senior Senator from New Hampshire [Mr. BRIDGES], that Federal price-control of natural gas could logically be extended to the cutting of the smallest woodlot on the smallest farm.

vi

Every spear must have a spearhead, Mr. President, and the spearhead of this investigation is the recently aroused

public opinion against the efforts of the gas and oil industry to assure the passage of the natural gas bill.

The nasty word "corruption" has been injected into these efforts.

In this regard, I am reminded of the famous story told by Representative CARROLL REECE, from the State of Tennessee. During his first campaign for office, he was receiving financial support from one of the pillars of his local church. One morning this constituent walked into CARROLL's office, wearing a worried look. "Brother REECE," he said, "I hear bad reports of the way you are conducting your campaign. I understand that you are enticing, entertaining, and otherwise corrupting certain voters in our district."

CARROLL carefully explained that the measures currently being taken to make his political rallies more entertaining, attractive, and nutritious, were traditional practices in the political field and would not reflect upon the ethics of his campaign.

The conscientious objector was only partially convinced, and he said, in parting, "Very well, Brother REECE, you may proceed, but let's not be any more corrupt than we have to, to win."

Regarding the alleged corruption involved in the natural gas deliberations, if the attempted bribe of the junior Senator from South Dakota and others had been dreamed up and engineered by those opposing the natural-gas bill, it would have been a sheer stroke of genius.

Although it falls outside the area of lobbying, I think we will all admit that the abortive efforts of Mr. Neff suggest and brand new approach to the defeat of legislation.

vii

The national furor over this stupid incident serves, however, as a good example of the importance of complete analysis of corrupt practices.

Any proper analysis of anything must meet two requirements: it must be correct qualitatively and it must be correct quantitatively.

Before judging the whole by the characteristics of any part, that part must be proven to be characteristic of the whole.

Nothing in our imperfect world is ever perfect, particularly the social institutions under which we live.

Judged only by occasional miscarriages of justice, our jury system needs a complete overhauling.

Judged only by the incidence of racketeering, labor union regulations require a complete overhauling.

Judged only by Teapot Domes and attempted \$2,500 bribes, the lobbying relations of the oil industry require complete overhauling.

But as a matter of fact, none of these statements are true.

As I remarked before, all four of the groups involved in the natural gas bill were simply doing what came naturally; and in an overwhelming majority of cases their behavior was completely proper.

But this being an election year, no doubt there will be a great temptation on the part of a few committee witnesses

to attack and counterattack with an eye to headlines.

Big names may be bandied about.

Half truths may get into the record.

And what would be much worse, half truths may get into the public press.

The resulting damage would damage everyone concerned, because the public is in no position to accurately discriminate in a rough and tumble political argument, between the alleged sheep and the alleged goats.

Let us pray, therefore, that this investigation will not involve partisan political considerations and will not depart from its proper bipartisan judicial processes. I have every reason to believe that it will be most constructive.

AUTHORITY FOR COMMITTEE MEETING TO BE HELD IN NEW YORK ON MAY 14, DURING SENATE SESSION

On request of Mr. JOHNSON of Texas, and by unanimous consent, the Permanent Investigating Subcommittee was authorized to hold a hearing in New York on Monday, May 14, 1956.

INSURANCE AGAINST FLOOD DAMAGE

The Senate resumed the consideration of the bill (S. 3732) to provide insurance against flood damage, and for other purposes.

Mr. KNOWLAND. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. KNOWLAND. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

The question is on agreeing en bloc to the amendments offered by the Senator from California [Mr. KNOWLAND].

Mr. KNOWLAND. Mr. President, first of all, before speaking to the amendment—and I shall not speak for more than 10 or 15 minutes at the most—I wish to commend the Committee on Banking and Currency, the distinguished Senator from New York [Mr. LEHMAN], who made the presentation for the committee, and the distinguished Senator from Connecticut [Mr. BUSH] for the work they and their associates have done in this field. As they have pointed out, they have been treading on new ground. We have not had the experience which will obviously be needed in order to place the insurance plan on a sound actuarial basis. The work the committee did in trying to reconcile the points of view of several bills has been constructive, and I am sure it is appreciated by the Senate.

After the Senate acts in its judgment on the proposed legislation, and after the House has had an opportunity to act on it, I hope such experience will be gained as will encourage private industry to pick up the burden once it learns just what it will be.

The amendment I have offered deals with the subject of the States making contribution. The original administra-

tion bill provided for a 50-50 division of the cost as between the Federal Government and the States, over and above the amounts paid in the form of premiums by persons buying the insurance.

I believe a valid argument could be made that if that requirement went into effect at the time the law became operative, there might be, and indeed would be, some States which, because of their statutes, because of court decisions or administrative rulings, or, indeed, perhaps because of State constitutional provisions, would not be able to comply.

When that fact was pointed out, I felt it was a valid point. Therefore, in the amendment it is provided that "the insurance policies issued under this act after June 30, 1959, shall be issued only with respect to property of those States which participate in section 5 (a) of this act."

That will be the 50-50 contribution.

We provide 3 years of experience, during which the Federal Government will be carrying the load. That is ample time, it seems to me. Some State legislatures meet annually, while others meet biennially. Therefore, we provide ample time for States either to amend their constitutions, if that is necessary, or to enact statutes, so that they may participate in the program.

We hear a great deal about the rights and interests of States. It seems to me that the States should very properly have an interest in the matter of flood insurance. They indicated their interest in this whole program when the President met in conference with some of the governors.

The bill would provide, after 3 years, for an equal division of the remaining 40 percent between the Federal Government and the States. On that basis I believe the amendment is a constructive amendment. It takes care of the valid objection which could be raised if States were forced either to participate immediately or be unable to get protection for their citizens.

I hope the amendment will be adopted.

Mr. SALTONSTALL. Mr. President, I join with the distinguished minority leader in hoping that the amendments will be adopted and that the bill will be passed. I am heartily in favor of the principle involved in the bill concerning flood insurance. I am heartily in favor of it because I have seen the damage caused by floods to the homes of countless numbers of people.

As the Senator from California has pointed out, the amendment would not take effect until January 1, 1959. It would give States which cannot now participate in such flood insurance time to change their laws and, if necessary, to change their constitutions in order to participate.

My own State of Massachusetts, under its constitution, could not participate in flood insurance with the Federal Government in respect to the 40 percent remaining above the 60 percent which is paid by the insured. The constitution of Massachusetts, of course, can be amended. The process is as follows: First, the legislators must act twice;

then the proposal is submitted to the people. Our legislature is in session at the present time. The present session of the legislature could act on the proposal if it desired to do so. Then a new legislature, which meets next January, could also act on it. If the incoming legislature acted favorably on it, two legislatures would have acted on the proposal. Then the proposed amendment would be submitted to the people to vote on it in November 1958. If the people adopted the amendment in 1958 the State could participate in January 1959.

Mr. BUSH. Mr. President, will the Senator yield?

Mr. SALTONSTALL. I yield.

Mr. BUSH. I should like to ask the Senator how long he believes the present legislature of Massachusetts is likely to remain in session.

Mr. SALTONSTALL. The Massachusetts Legislature was in session until September of last year. Presumably it will be in session until the latter part of July or August of this year.

Mr. BUSH. I raise the point because when the Senate gets through with the bill, it will have to go to the House. It may be some weeks before the House acts on the bill, and there is some question in my mind whether the Massachusetts Legislature will be able to act on it during the present session.

Mr. SALTONSTALL. I feel reasonably confident that the Massachusetts Legislature will be in session for at least 2 more months. We all know—if I may make this additional point—that this form of insurance is greatly desired. We know that the State government, the local government, is involved, and that a local administration will help in seeing to it that the work is carried out efficiently. I have in mind particularly the tornado which hit Worcester, Mass., several years ago. In that case the Red Cross took action. The State contributed to the relief fund, and the city of Worcester did also. The Federal Government participated through President Eisenhower's emergency fund. There was local administration, which carried out the aid which was provided. It was carried out extremely well and efficiently. No money was wasted. The work was done as quickly as it could be. That was because there was interest by the local government. There was interest by the State government. There was participation by the Federal Government. I had that situation very much in mind when I joined with the Senator from California [Mr. KNOWLAND] in offering the amendment to the flood-insurance bill.

I conclude by saying that I hope the amendment will be adopted. It will make a good bill a better bill. I hope the bill will be passed with the amendment.

Mr. LEHMAN. Mr. President, I have been listening all afternoon to the various speeches of every Member of the Senate who has spoken on the subject, and they have expressed great interest in and sympathy with the proposed legislation which is before the Senate. Every Senator who has spoken has said he thought there should be legislation of the

character of that presented, that it was needed by the people, that it would be an act of justice to enact such a bill.

Yet, Mr. President, if the Senator from California, the minority leader, and the Senator from Massachusetts will forgive my speaking very frankly, I have no hesitation in saying that the adoption of the amendment which has been offered would ruin the bill. It would make it almost ineffective in many ways.

Mr. President, there are 48 States in the Union. Every State has a constitution. I am not familiar with the constitutions of any of the States except my own. I ceased to be Governor of New York many years ago, and I am not now so familiar as I once was with all the provisions of the New York State constitution, but I know that, so far as New York State is concerned, it would be necessary to amend the State constitution before the State could join in the undertaking proposed, should the amendment be added to the bill. I have no doubt that the same is true of a great many other States of the Union.

Mr. HOLLAND. Mr. President, when the Senator from New York reaches a point where he can yield, I should like to ask him to yield.

Mr. LEHMAN. I wish to finish my statement, and then I shall be very glad to yield to the Senator from Florida.

In the case of New York—and I think it is probably true of most of the other States—in order to adopt a constitutional amendment, affirmative action must be taken by two legislatures, and then there must be an affirmative vote of approval by the people of the State. So the minimum time in which an amendment could possibly be adopted would be 3 years.

The constitution of the State of New York contains a provision which is more drastic, I believe, than is found in the constitutions of many of the other States, because under it no expenditures can be made for public purposes involving payments made to or in behalf of any individual living in the State. That amendment has been in our constitution for generations, perhaps, for all I know, as far back as the early days of New York State after it ceased to be a colony.

I do not believe the State of New York would consider changing its constitution in this regard merely to obtain the rather small, although important, help provided by the bill which is before the Senate. I do not believe it would do so in time to qualify under the bill. I do not believe Connecticut would do it. I believe Connecticut, too, has to go through a very cumbersome process in order to amend its constitution.

Why should we adopt such a provision, Mr. President? Why should we require the States to participate?

I have before me, and shall place in the Record, statements by the Governors of North Carolina, New York, Rhode Island, and Connecticut, strongly opposing this proposition.

Mr. KNOWLAND. Mr. President, will the Senator from New York yield at this point?

Mr. LEHMAN. I yield.

Mr. KNOWLAND. The Senator says certain Governors are opposing the provision now proposed. The formula prescribed in the measure which, in the committee was called the administration bill, which is the way the Senator referred to it in his remarks this afternoon, would have required matching from the very inception. I thought when I discussed the subject with some of the Senators they had a valid argument, that the States might need some time in order to get into compliance. For that reason, it is provided in the amendment that for 3 years the Federal Government will carry the burden, and the people of New York, Connecticut, North Carolina, or any other State of the Union will not be foreclosed from receiving the benefits of the insurance. But it does give them time to bring themselves into compliance and then to share in solving this very real problem of flood insurance.

So, Mr. President, the amendment does not contemplate the same situation as did the original measure, under which the States would have been eliminated if they did not participate.

Mr. LEHMAN. This particular amendment has not been submitted to the governors. In fact, I myself had not seen it until 2 hours ago, and I did not know it would be offered.

Mr. President, while I do not wish to burden the Senate by reading them, the statements made by the governors refer to State participation, and their objection is not based on a matter of time, although they do bring up that point in some instances.

Another objection which I have, which is a very serious one, is that if we assume that the States put up half of the subsidy—I call it, very frankly, a subsidy—as provided in the bill, then they will also demand half of the responsibility and authority in administering the bill. In other words, each one of the States which enters into the proposed agreement by which they share 50-50 with the Federal Government, will also demand the right to share 50-50 in the administration of the law. That would present a completely impossible situation. We cannot possibly have a program which is turned over to the Federal Government, to the Housing and Home Administration, and also give the States the right, because of their participation in the financial responsibility, to demand an equal share with the Federal Government in the administration of the program. It simply would not work. It would not be possible. It would lead to endless confusion.

Mr. SALTONSTALL. Mr. President, will the Senator from New York yield?

Mr. LEHMAN. If I may finish my statement, then I shall be very glad to yield to the Senator from Massachusetts.

Furthermore, Mr. President, the States feel that this is very fundamentally a Federal responsibility.

Mr. HOLLAND. Mr. President, I hope the distinguished Senator from New York will not forget that I asked him a few moments ago to yield to me.

Mr. LEHMAN. If the Senator from Massachusetts does not mind, I shall

yield, first, to the Senator from Florida, because he asked me first.

Mr. HOLLAND. I thank the distinguished Senator from New York.

I agree with the Senator completely that flood insurance is a Federal matter and should be handled as such. I wish to ask him, first, a question as to how he thinks the Federal crop insurance program, under the authority of the Department of Agriculture, which the bill requires to be coordinated with the program now under debate, could be very effectively coordinated with a program which is part Federal and part State. Could it be coordinated on anything like the terms of ease and effectiveness which would be the case if both programs were clearly and entirely Federal?

Mr. LEHMAN. As I recall the crop insurance program operates only in a relatively small number of counties.

Mr. HOLLAND. It operates in 800 counties out of 3,000, and it operates, of course, only to protect growing crops. But the purview of any flood insurance would necessarily allow of duplication, unless there were vested somewhere the authority to coordinate programs, because Federal crop insurance is certainly available in many counties on growing crops which are produced in locations where the crops are subject to possible flood damage.

I am simply calling the Senator's attention to the fact that that is a wholly Federal program, and I think properly so. To require such a Federal program to be enmeshed with a program which is not wholly Federal would afford all kinds of difficulties, all kinds of inefficiencies, all kinds of proration of costs, which are so difficult to calculate, and proration of damage, which is very difficult to estimate; whereas there would be no difficulty at all if the same authority and the same paying capacity were standing back of both programs.

Mr. KNOWLAND. Mr. President, will the Senator yield?

Mr. HOLLAND. I do not have the floor.

Mr. LEHMAN. I yield.

Mr. KNOWLAND. My remark is pertinent to the point just raised. The able Senator from Florida is one of the outstanding members of the Committee on Agriculture and Forestry, and has, of course, far more information than perhaps many of the rest of us who do not serve on that committee.

My understanding is that, except for overhead and administrative costs, the crop insurance is paid for by farmers, and that they carry the program.

But in the proposed program we have obviously—and I am not making a criticism of it—a subsidy which has to be included, because there has not been any experience thus far.

Mr. HOLLAND. The property owners are required to pay a part of the cost of the program under the picture as it is known. The point I am making is that we have two insurance programs which are enmeshed. The same property is subject to both those programs. There must be authority to coordinate the programs, so that there will not be a dupli-

cation in payments, double coverage, and double premiums.

It seems to me it is so obvious that the only way in which the programs can be effective is by having the control of both equally managed by the same government, and equally under the control of the same legislative authority—that is, Congress, sitting in Washington—that it is hardly susceptible of argument that the program is much sounder when both corporations are federally controlled, when both look to Congress for the enactment of legislation, and when the coordination of the two programs would take place right in this city, with both of them being administered here.

Does the Senator from New York feel that that is correct?

Mr. LEHMAN. I thank the Senator from Florida for his statement. I agree with it. It was a matter which was discussed by the committee. A provision was included in the bill—

Mr. HOLLAND. I have just read the provision. It requires coordination.

Mr. LEHMAN. I should like to read it for the benefit of my colleagues. It is section 11, subsection (d).

(d) In carrying out the functions authorized in this act, the Commissioner may consult with other agencies of the Federal Government and interstate, State, and local public agencies having responsibilities for land use and flood control and for flood zoning and flood-damage prevention in order to assure that the insurance and reinsurance programs are consistent with the programs of such agencies. Where the program of the Commissioner may affect existing or proposed flood-control works under the jurisdiction of agencies of the Federal Government these agencies shall cooperate with the Commissioner in coordinating their respective programs. The Secretary of Agriculture and the Commissioner shall coordinate the administration of their respective programs relating to flood insurance and reinsurance for agricultural commodities.

It is purely a Federal responsibility, and the authority is wholly lodged in the Federal agency.

Mr. HOLLAND. I thank the distinguished Senator from New York. I wanted to point out what seemed to me was clear, namely, that the most effective handling of the problem will be when two Federal corporations, wholly owned and administered in Washington by the Federal Government, and controlled by legislation which looks only to one legislative body, Congress, can dovetail their programs appropriately.

I should like to ask the Senator from New York another question. Is it not true that repeatedly in recent years, in connection with disaster appropriations and the preparation of disaster legislation, it has been proposed to the Senate, and the Senate has every time turned down the proposal by a very heavy vote, that the States be required to take over some fixed portion of the payment of such disaster relief as a condition to the giving of disaster relief to the citizens in the State affected?

Mr. LEHMAN. I feel certain that is true. The Senator from Florida, of course, has had far greater experience in that field because of his longer service in the Senate.

Mr. HOLLAND. Whenever that question has come up—and I know it has come up on the floor not once, but several times, since I have been a Member of the Senate—the Senate has taken the high ground, and I think the sound ground, that when disaster strikes any community in the United States, the Federal Government can afford to take action, and should do so, wholesomely and wholeheartedly, and that any extension of aid should not be conditioned upon the requirement that the State must first meet some fixed proportion of the disaster payments.

I ask the distinguished Senator from New York if he does not think that the oft-repeated policy, oft announced by the Senate, is sound, and applying it to this situation, that a Federal corporation is by all means the only one properly equipped to handle such a program, which is a disaster-anticipation program.

Mr. LEHMAN. I am in full agreement with the Senator from Florida. I thank him for expressing the facts in the case much more clearly than I have done.

Mr. HOLLAND. It is not true that the field of flood prevention and the avoidance of flood damage from the construction of flood works is a field which, under various legislative acts, has been taken over by the Federal Government and is administered under acts passed by the Federal Legislature—Congress?

Mr. LEHMAN. That is quite true.

Mr. HOLLAND. Is it not true, under this program, that if the Federal Government had been quicker to give aid against or provide for prevention against disaster in one State than in another, the cost of flood insurance would necessarily be greater and heavier on the State to which the generous hand of the Federal Government had not yet been extended, and that under this program it would be required, therefore, that the State, in meeting any fixed part of the expense, would be penalized simply because the Federal Government had not yet reached the granting of flood-control protection in that particular area?

Mr. LEHMAN. That is absolutely true.

Mr. HOLLAND. From the things which the Senator from Florida has mentioned and the various things so well mentioned in the original speech delivered by the Senator from New York, is it not a very strong conviction of the Senator from New York that this amendment, while postponed into the future for its operation, still would operate in such a way as to deprive the States, and the citizens of all States, of equally merciful, equally fair, and equally just treatment, and that the only way to keep the extension of this helpful program on a completely fair and just basis is to make it a wholly Federal program?

Mr. LEHMAN. I fully agree with the Senator from Florida.

Mr. HOLLAND. I thank the distinguished Senator from New York.

Mr. SALTONSTALL. Mr. President, will the Senator yield?

Mr. LEHMAN. I yield.

Mr. SALTONSTALL. I have listened with interest to the discourse between the Senator from Florida and the Senator from New York. As I see the pic-

ture, it is not a question of disaster. If there is a disaster, the Federal Government will, of course, come forward to help. This is a program which is set up as a business proposition of insurance under a Federal corporation. What we are seeking to do is to have it administered as efficiently as possible in time of trouble after the insurance premiums have been paid by the private persons and the Government has helped.

The Senator from New York has pointed out that there cannot be divided administration. As I saw the disaster in Massachusetts, the Federal Government had an agent; but that agent worked with the insurance agency established by the State government and the local government. That agent was asked to turn over the responsibility of making decisions to a local person, who knew the situation, who knew the homes, who knew the persons concerned, and who could work better than could an agent brought from Washington.

As I see it, this is a long-term proposition. It is not designed merely to cover disasters which happen overnight. If such disasters occur, the Federal Government should, of course, come into the picture, just as it has in the past. But if this is to be a long-term proposition, then local leaders, representatives of the local and State governments, should be brought in, so that the program could be administered locally in time of trouble. That would help the Federal Government, rather than hinder it.

Mr. LEHMAN. I may say to the Senator from Massachusetts that, of course, the officials of the State of Massachusetts, the State of Connecticut, the State of New York, and the State of Pennsylvania will be glad to cooperate with the Federal Government in every way possible. They have always done that. I can speak from experience as governor, as the Senator from Massachusetts can. Whenever such a matter came up between the State and the Federal Government, the State government was always happy to cooperate.

But I am a little bit confused, really, when I hear the Senator from Massachusetts say it is not a question of disaster legislation. I thought it was. I frankly would have hesitated to give as much of my time to the matter as I have in the past 7 months, as have also the Senator from Connecticut [Mr. BUSH] and the junior Senator from Massachusetts [Mr. KENNEDY], if I had not thought that we were acting because of a disaster, and also because similar disasters might happen anytime, anywhere in the country. Such disasters are not only statewide; they are nationwide. Certainly, they affect many States.

This is one of the arguments I should like to have considered against the amendment, and I think it is a very important one: This is not a State proposition or a State problem, singly. It frequently involves several States. I do not intend to cover the map and say what States might be affected by a flood disaster in the Middle West or in the far West or on the Pacific coast or in the Northwest, although I am quite sure that in many cases what I am saying would

hold true in those areas. Let us consider New York State for a moment. The worst flood area we have is created by the merging of two rivers, the Susquehanna and the Chenango. Eight-tenths of the Susquehanna flows through Pennsylvania. It comes to New York State only at Binghamton, which has been badly flooded at times. The Chenango River is in New York State.

Let us consider the Delaware River. The Delaware River affects New York, Pennsylvania, and New Jersey. Perhaps it affects other States, but I know those are three States through which it flows.

When we conceive of a situation on the Delaware River which would affect three or more States, or other rivers which affect several States, any procedure which would take one course in one State and another course in another State would discourage people from taking out insurance. People are not going to take out insurance when they are told that after 3 years they will not know whether the insurance will be continued or not, or whether the States in which they live will change their State constitutions, which is quite unlikely to happen. I think the Senator from Massachusetts, as the former governor of a large and great State, will agree with the latter statement. I know the people of my State would not want to take out insurance under those conditions.

Mr. SALTONSTALL. Will the Senator yield further?

Mr. LEHMAN. I yield.

Mr. SALTONSTALL. As I understand, the premiums would be paid on an annual basis. Anybody who participated in the program would go into it, on an annual basis, for 3 years. If the State did not join, the participant would not pay any further premiums. On the other hand, if the participant were interested and felt the insurance were valuable, he would do his utmost to see that the State laws and State constitution complied with the provisions, so that the insurance could be continued.

Mr. LEHMAN. It takes more than the attitude of the few people who might be insured to change a State constitution.

Mr. PURTELL. Mr. President, will the Senator yield?

Mr. LEHMAN. I yield.

Mr. PURTELL. In view of the colloquy which has taken place, it may possibly be the understanding of some that in view of the fact that insurance may be available under the Federal law, and other insurance would also be available, that situation might be taken advantage of. Is it not true that on page 18 of the report it is stated that "under the express provisions of this bill, no insurance can be written by the Federal Government covering risks against which insurance is available on reasonable terms from other public or private sources?"

So if crop or other insurance is available the insurance provided under the bill cannot be obtained. Is that correct?

Mr. LEHMAN. That is provided in section 10, on page 9, of the bill. I realize that. I referred specifically to the question of coordination of administration

by the Secretary of Agriculture and the Commissioner, with regard to matters which come under their cognizance, relating to flood insurance and reinsurance on agricultural products.

Mr. PURTELL. But which insurance would be available only where no other insurance were available. Is that correct?

Mr. LEHMAN. That is true, providing the insurance were available elsewhere on a reasonable basis.

Mr. PURTELL. Is it not true that while much of the flood control work would be done with Federal funds, the States recognize that much can be done on the local level? Once the major projects are undertaken by the Federal Government, a State must step in and do the additional work for flood control.

Mr. LEHMAN. To get back to agricultural insurance, I think the Senator from Connecticut overlooks the fact that there is no real agricultural crop insurance that is nationwide in scope. It is completely under the control of the Federal Government.

Mr. PURTELL. That is right. Eight hundred counties are covered.

Mr. LEHMAN. But it is not available to the country as a whole, because of 3,000 counties only about 800 are covered, and even in those cases only certain crops are covered, and under certain specific conditions. That does not make insurance as available as the pending bill would make it.

Mr. PURTELL. The bill would make the insurance available in the counties other than the 800 counties now covered.

Mr. LEHMAN. But not in those 800 counties.

Mr. PURTELL. I say, the bill would make the insurance available to those who find it presently unavailable.

Mr. LEHMAN. That is correct.

Mr. PURTELL. If something can be done to encourage States to do whatever is necessary to control floods in addition to what is done at the Federal level, the work will be done quickly, and the cost will be reduced that much faster, when the States recognize the need to do their part in flood control.

Mr. LEHMAN. I may say to the Senator from Connecticut that in my somewhat long tenure of office as governor of New York, I not only preached, but practiced, full cooperation with the Federal Government. I had the pleasure of being Governor of New York at the time my beloved friend, Franklin D. Roosevelt, was President of the United States, and we certainly coordinated very well.

I believe very definitely there is nothing in the amendment which would indicate there would be any greater disposition to coordinate or cooperate. This is merely a matter of assuming some of the responsibility, and, as a corollary of that, normally some of the authority, which I think would create a situation of confusion that would be boundless. I do not think it could be worked out. I think it would be out of the question to be able to do it.

Mr. PURTELL. Will the Senator agree with me that while this proposed legislation springs from an emergency, and will protect those who take advan-

tage of its provisions, it will not, in fact, be the way in which the Federal Government will step in and handle an emergency in which everybody will have to be given some relief? The bill, if enacted, will relieve only those who subscribe to the insurance and help pay the cost.

Mr. LEHMAN. That is correct. This is not relief; it is an insurance operation, in which the man who is injured pays a very substantial part of the cost.

Mr. KNOWLAND. Mr. President, will the Senator from New York yield to me?

The PRESIDING OFFICER (Mr. McNAMARA in the chair). Does the Senator from New York yield to the Senator from California?

Mr. LEHMAN. I am very glad to yield.

Mr. KNOWLAND. Because of the discussion which occurred earlier in the afternoon, I wish to call attention to the hearings which Senators have on their desks. I refer now to part I of the hearings on Federal disaster insurance, at page 73, where the hearings deal with the present mechanism for Federal disaster relief. They go on to say:

The Federal Disaster Act, which is administered by FCDA, goes into effect when the Governor of a State applies directly to the President, certifying that the damage outruns the resources of the State and when the President declares that it is indeed a "major disaster."

So even in the disaster field there is a responsibility in respect to which the State is supposed to function.

I also call attention to page 75, dealing with Executive Order No. 10427:

SEC. 6. Federal disaster relief provided under the act shall be deemed to be supplementary to relief afforded by State, local, or private agencies and not in substitution therefor; Federal financial contributions for disaster relief shall be conditioned upon reasonable State and local expenditures for such relief.

So again there is a definite State and local responsibility which is recognized.

In the case of crop insurance, as we have already pointed out, with the exception, as I understand, of handling the administrative costs, the farmers themselves are bearing the burden, and it is running as a perfectly sound operation in that field.

Mr. LEHMAN. That is a Federal program; not a Federal-State program.

Mr. KNOWLAND. Yes, it is Federal; but we do not have in effect a subsidy of some 40 percent in addition to the administrative costs, which we would carry under this insurance plan.

Mr. LEHMAN. If the Senator from California is trying to get me to admit that this bill involves a subsidy, he does not need to work very hard, for I said so earlier in my remarks. In all probability, the bill will require a subsidy. I hope it will not be a subsidy for any great length of time, but I cannot give any assurance that no subsidy will be required.

Mr. DOUGLAS. Mr. President, will the Senator from New York yield for a question?

Mr. LEHMAN. I yield.

Mr. DOUGLAS. I know the Senator from New York has been on his feet for a long time. I have been studying this matter during the afternoon. The amendment of the very able Senator from California is regarded in some quarters as a States rights amendment. But is it not true that about the only right it gives the State is the right to bear the burden of paying expenses which the State itself has had no opportunity to prevent?

Mr. LEHMAN. The Senator from Illinois is entirely correct, of course.

Mr. DOUGLAS. For instance, let us consider Hurricane Connie and Hurricane Diane. Would Connecticut, Rhode Island, or Massachusetts have had any ability to have averted those catastrophes?

Mr. LEHMAN. Of course not. Not only would they not have had any ability to avert those catastrophes, but by themselves they did not have the resources with which to care for the needs arising because of those catastrophes.

Mr. DOUGLAS. In other words, such catastrophes are interstate, and any particular State is powerless to guard against them; is not that true?

Mr. LEHMAN. That is true.

Mr. DOUGLAS. I notice the Senator referred to the fact that the Delaware River affects the States of New York, New Jersey, and Pennsylvania. Is it not true that the Connecticut River is the boundary line between Vermont and New Hampshire, and then runs through Massachusetts and Connecticut? So a flood on the Connecticut River touches 4 States, and therefore is beyond the power of any 1 State to guard against; is not that correct?

Mr. LEHMAN. That is correct. I had overlooked the Connecticut River.

Mr. DOUGLAS. Although my memory of New England rivers is not so accurate as it once was, yet I think it is true that the Merrimack River flows through both New Hampshire and Massachusetts; and the Androscoggin River rises in New Hampshire and flows through Maine. So such rivers are not confined to any one State.

Therefore, even in the case of floods arising on the headwaters of a river, the State which suffers from the flood is not necessarily the State which bears any responsibility for the origin; is it?

Mr. LEHMAN. That is quite true.

Mr. DOUGLAS. And the great tropical hurricanes, which seem to be occurring more and more frequently, are outside the power of any one State to control; are they not?

Mr. LEHMAN. Yes; they are certainly entirely outside the power of any one State to control if indeed, anything can be done to control them.

The PRESIDING OFFICER. The question is on agreeing en bloc to the amendments of the Senator from California [Mr. KNOWLAND].

Mr. RUSSELL. Mr. President, I have not been privileged to hear all the debate on this measure, but I have examined it.

I am deeply concerned about the provisions of subparagraph (b) of section 12, appearing on page 11 of the bill. If

I construe aright this provision, I think it is very unreasonable and unfair, and the Senate should not adopt it as a precedent.

The provision to which I refer reads as follows; it is in two parts, and I shall read first the first one, as follows:

(b) No claim under color of any insurance or reinsurance made available under this act shall be liable to attachment, levy, garnishment, or other legal process before payment to the insured or the insurer, as the case may be—

Mr. President, if I correctly understand the meaning of that provision, if a man sold his house to his neighbor, and took a mortgage on it, and if a flood destroyed the house, the man who had sold his home and had substituted a mortgage for it could not collect on the mortgage, because the Congress of the United States would be saying that that money would be beyond any judicial process whatsoever.

Mr. President, it seems to me that is a very unreasonable proposal. All mortgagors are not the great banking institutions or the great business houses. In the United States there are thousands of cases of individuals who, in changing their homes or in moving, retain mortgages on their homes; and sometimes the mortgage amounts to about all such persons own.

The provision to which I have referred is rather remarkable, and would go a long way; but to my mind the remainder of the subparagraph is even more remarkable, and, if I construe it aright, even more shocking. I read the remainder of the subparagraph:

Nor shall any such claim be subject to reduction on account of indebtedness of the insured or his estate, or the insurer, as the case may be, to the United States, except claims of the United States arising under this act.

Mr. President, I have not had an opportunity to read all the bill and to ascertain whether this vice is cured elsewhere in the bill. But if it is not, then, Mr. President, under this bill a man could have a fraudulent income-tax case against him, as a result of defrauding his government, and the Government would subsidize 40 percent of his insurance program, and yet if the flood occurred, because of the flood he would be permitted to capitalize on his fraudulent act against the Government of the United States in the matter of his income taxes. That is the common construction which it seems to me is inescapable under this language. If that is true, certainly this provision should be stricken from the bill.

It may be that some reason has been given for this very drastic provision. I regret that I was not here to hear it given, if it was. But it seems to me that we go very far when we say that not only will the Government subsidize the insured against the hazards of flood, but that if a flood occurs, no legal process whatsoever, of any kind, may attach to the proceeds of the insurance. To my mind, that is a most unreasonable provision; and I cannot conceive that the Senate of the United States would put its approval upon any provision of that nature.

Mr. LEHMAN. Mr. President, is the Senator from Georgia addressing a question to me?

Mr. RUSSELL. No; I am not. I made a statement regarding my construction of that provision.

Mr. LEHMAN. I should like to answer.

Mr. RUSSELL. I shall be glad to yield to the Senator from New York.

Mr. LEHMAN. It seems to me that the answer is very simple:

Section 12 (b) of the bill, among other provisions, protects an insured claim against attachment, or levy, and against setoff for debts due the United States, except for United States claims arising under this bill.

This provision was included in the Lehman-Kennedy bill S. 3137, and also in the administration bill S. 2862, as originally introduced. It was not included in the amendment in the nature of a substitute for S. 2862 later introduced by the senior Senator from Connecticut [Mr. BUSH].

The purpose of this entire bill is to provide funds to insured disaster victims so that the insurance proceeds will be available to enable their speedy recovery through the repair or replacement of property damaged by flood. If the United States Government or someone else is to be given the right to take all or part of the insurance proceeds because of some prior debt owed to the Government or such other person by the insured, the bill will fail in its purpose because the insured would then be deprived of the means of repairing flood damage. The insured will still owe the Federal Government or the other person the prior debt, but the creditor must find other assets of the insured with which to satisfy the debt. By himself the insured can do nothing to bring about conditions under which he becomes the holder of a claim under the insurance policy. It takes a flood to put him in that condition. Under the circumstances, the Government, or other creditor, would be taking undue advantage of a windfall in their favor in order to collect a debt due from the insured.

I realize that this provision gives special exemption from setoff for debts owed the Government, which normally take first priority over all other obligations, and that the insurance proceeds may provide a ready source of cash from which to satisfy back tax claims of the Government. But I think it is more important that the insured be certain of use of insurance proceeds to rehabilitate himself.

It seems to me that the entire purpose of the bill is to help people who have suffered from floods to reinstate themselves. If the Government has a claim against a man, I do not believe that merely because of the accident of a flood the Government, in order to reimburse itself, should be able to take from the man the money which comes to him as insurance compensation, by reason of a premium which he has paid.

Mr. RUSSELL. If the flood does not come, the Government can levy on the property. If the flood does not come the man who has a mortgage on the house, and who perhaps sold the home, can

levy on the property. Why should the fact that a flood comes give the man a right he would not otherwise have?

Mr. BUSH. Mr. President, will the Senator yield?

Mr. LEHMAN. Let me answer that question. I am very glad the Senator has brought it up. I wish to make an explanation to the Senator from Georgia, for whom I have great respect, as he knows.

Mr. RUSSELL. I thank the Senator. Mr. LEHMAN. The bill would not in any way exclude the Government from levying a claim against the man's property. It would simply prohibit the Government from levying a claim against the proceeds which come to him as a result of the insurance policy to which he is a party. The bill would not in any way prohibit the Government from filing a claim against the man's property.

Mr. RUSSELL. Mr. President, I have great respect for the Senator from New York, but I think that is a pretty tenuous argument—that the Government can levy on the property, which is later washed away by a flood, but cannot get the money due it from insurance on the property. It is giving the man a benefit which he would not enjoy but for the flood.

If the flood does not come, the property is subject to lien. But, if the flood does come, why should one who sought to defraud the Government be exempted from paying the debt from the insurance proceeds? I am old fashioned, but I was taught a great many maxims in my youth. Among others is the maxim that one should be just before he is generous. I think we should be just as between two citizens of the United States, and not say to one of them, "The house is washed away. Therefore you, who have your whole life's savings in the mortgage, cannot collect a dime," while we say to the Government of the United States that it cannot take the proceeds of the insurance, and say to the occupant of the property, "because there has been a flood, you can take your insurance money and go scot free, and not be subject to payment of the debt." We seek as best we can—although I concede that we have failed miserably—to bring about some equality in taxation.

Mr. LEHMAN. The Government could always levy a claim against the man's house.

Mr. RUSSELL. The house is gone.

Mr. LEHMAN. Why did not the Government levy the claim while it was there? Suppose a man has a house worth \$10,000, and it is damaged to the extent of \$2,000. That does not eliminate the right of the Government to levy a claim against the house, but it does prevent the Government from levying a claim against the \$2,000 of insurance money which he has received to reimburse him for the damage he has suffered.

Mr. RUSSELL. I cannot split hairs to that extent.

This provision is not only unfair and unjust as between citizens of the United States, but it would be a very dangerous precedent for the Congress to establish. We should not play in this casual way with taxes due the United States, and say that if a flood occurs a man

does not have to pay his taxes, and that if a flood occurs he does not have to pay the price of the house which is washed away. If another man happens to be so unfortunate as to have a mortgage on the house which is washed away, he rather than the man actually on the premises, becomes the victim of the flood.

Mr. LEHMAN. Mr. President, I do not wish to give the impression that the Senator from Georgia has convinced me of the soundness of his argument; but I want the bill passed. If the Senator has any particular fears with respect to this provision, I suggest that, at the appropriate time, he offer an amendment to strike this particular section from the bill. I shall not oppose it.

Mr. RUSSELL. I thank the Senator. I have a very deep concern about this particular provision.

Mr. LEHMAN. I shall be very glad indeed to agree to such an amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendments offered by the Senator from California, [Mr. KNOWLAND] which are to be voted upon en bloc.

Mr. BUSH. Mr. President, I rise to oppose the pending amendments, not because I am philosophically opposed to them. Actually a similar provision was in the original administration bill, which I introduced, calling for State participation. However, as we have gone into the subject and examined it from every angle, it has become quite evident to me that if these amendments are accepted they may defeat the purpose of the bill, because they may have the effect of keeping certain States out of the program when they wish to come into it, and are entitled to be in it if they wish to be.

The reason is that various States have provisions in their State constitutions which prevent public moneys being used to aid individuals. In a broad way, that is what the State constitutions provide. That is true in Massachusetts, Connecticut, California, and other States.

In addition, in many of the States a constitutional amendment cannot be accomplished in one session of the legislature. Sometimes 2 or more years are required. Many State legislatures meet only every other year. It is perfectly conceivable that a State which might wish to participate in the program, and which might be able to do so through its legislative process, might not be able to participate within 3 years.

Under Connecticut law—and I believe possibly under the laws of other States—the finding of a lack of public purpose could not be cured merely by an amendment to the constitution. The Connecticut Supreme Court of Errors has already created a body of law in our State indicating that any such amendment would likely run afoul of the provisions of the United States Constitution dealing with the republican form of government and equal protection of the laws to all persons, despite State action to the contrary. It cites article IV, section 4, of the Federal Constitution, and amendment No. 14.

The issue of State participation has been taken care of in the bill, not on a

financial basis, but by requiring the State to establish flood control zones and flood control laws and ordinances. If it does not do so within 2 years, in a manner satisfactory to the Commissioner, under the terms of the bill it will not be able to participate.

It does put the burden of responsibility on the State in a very sound way. As I said before, I am not philosophically opposed to the question of the States' financial aid, but, as a practical matter, I think it will not work. Therefore I urge the Senate to vote down the amendments.

Mr. KNOWLAND. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The Secretary will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

The question is on agreeing, en bloc, to the amendments offered by the Senator from California [Mr. KNOWLAND]. The yeas and nays have been ordered. The Secretary will call the roll.

The Chief Clerk called the roll.

Mr. JOHNSON of Texas. I announce that the Senator from New Mexico [Mr. ANDERSON], the Senator from Nevada [Mr. BIBLE], the Senator from Virginia [Mr. BYRD], the Senator from New Mexico [Mr. CHAVEZ], the Senator from Kentucky [Mr. CLEMENTS], the Senator from Louisiana [Mr. ELLENDER], the Senator from Arkansas [Mr. FULBRIGHT], the Senator from Georgia [Mr. GEORGE], the Senator from Tennessee [Mr. GORE], the Senator from Missouri [Mr. HENNING], the Senator from Tennessee [Mr. KEFAUVER], the Senator from Arkansas [Mr. McCLELLAN], the Senator from West Virginia [Mr. NEELY], the Senator from Wyoming [Mr. O'MAHONEY], and the Senator from Florida [Mr. SMATHERS] are absent on official business.

The Senator from Rhode Island [Mr. PASTORE] is absent on official business attending the Atomic Energy tests in the South Pacific.

On this vote, the Senator from New Mexico [Mr. CHAVEZ] is paired with the Senator from Maryland [Mr. BEALL]. If present and voting, the Senator from New Mexico would vote "nay" and the Senator from Maryland would vote "yea."

The Senator from Kentucky [Mr. CLEMENTS] is paired with the Senator from South Dakota [Mr. MUNDT]. If present and voting, the Senator from Kentucky would vote "nay" and the Senator from South Dakota would vote "yea."

The Senator from Florida [Mr. SMATHERS] is paired with the Senator from Idaho [Mr. WELKER]. If present and voting, the Senator from Florida would vote "nay" and the Senator from Idaho would vote "yea."

I further announce that if present and voting, the Senator from Arkansas [Mr. FULBRIGHT], the Senator from Missouri [Mr. HENNING], the Senators from Tennessee [Mr. GORE and Mr. KEFAUVER],

the Senator from West Virginia [Mr. NEELY] and the Senator from Rhode Island [Mr. PASTORE] would each vote "nay."

Mr. SALTONSTALL. I announce that the Senator from Wyoming [Mr. BARRETT], the Senator from Maryland [Mr. BEALL], the Senator from New Hampshire [Mr. BRIDGES], the Senator from Ohio [Mr. BRICKER], the Senator from Iowa [Mr. HICKENLOOPER], and the Senator from Idaho [Mr. WELKER] are necessarily absent.

The Senator from New York [Mr. IVES] is absent because of illness.

The Senator from Nevada [Mr. MALONE] and the Senator from South Dakota [Mr. MUNDT] are absent on official business.

On this vote, the Senator from Maryland [Mr. BEALL] and the Senator from New Mexico [Mr. CHAVEZ] are paired. If present and voting, the Senator from Maryland would vote "yea" and the Senator from New Mexico would vote "nay."

On this vote, the Senator from South Dakota [Mr. MUNDT] is paired with the Senator from Kentucky [Mr. CLEMENTS]. If present and voting, the Senator from South Dakota would vote "yea" and the Senator from Kentucky would vote "nay."

On this vote, the Senator from Idaho [Mr. WELKER] is paired with the Senator from Florida [Mr. SMATHERS]. If present and voting, the Senator from Idaho would vote "yea" and the Senator from Florida would vote "nay."

The result was announced—yeas 39, nays 31, as follows:

YEAS—39

Aiken	Dworshak	Potter
Allott	Flanders	Purtell
Bender	Frear	Robertson
Bennett	Goldwater	Russell
Butler	Hruska	Saltonstall
Capehart	Jenner	Schoepfel
Carlson	Kerr	Smith, Maine
Case, N. J.	Knowland	Smith, N. J.
Case, S. Dak.	Martin, Iowa	Thye
Cotton	Martin, Pa.	Watkins
Curtis	McCarthy	Wiley
Dirksen	Millikin	Williams
Duff	Payne	Young

NAYS—31

Bush	Johnson, Tex.	Monroney
Daniel	Johnston, S. C.	Morse
Douglas	Kennedy	Murray
Eastland	Kuchel	Neuberger
Ervin	Laird	Scott
Green	Langer	Sparkman
Hayden	Lehman	Stennis
Hill	Long	Symington
Holland	Magnuson	Wofford
Humphrey	Mansfield	
Jackson	McNamara	

NOT VOTING—25

Anderson	Ellender	McClellan
Barrett	Fulbright	Mundt
Beall	George	Neely
Bible	Gore	O'Mahoney
Bricker	Hennings	Pastore
Bridges	Hickenlooper	Smathers
Byrd	Ives	Welker
Chavez	Kefauver	
Clements	Malone	

So Mr. KNOWLAND's amendments were agreed to en bloc.

Mr. LEHMAN subsequently said: Mr. President, I ask unanimous consent to have printed in the body of the RECORD, at the appropriate place, as a part of my remarks, two memoranda prepared by Mr. William F. McKenna, counsel, on the subject of the legality of the use of State

funds to pay flood-insurance premiums.

There being no objection, the memorandum were ordered to be printed in the RECORD, as follows:

LEGALITY OF REQUIRING STATE FUNDS TO BE USED TO PAY PART OF THE PREMIUM FOR FLOOD INSURANCE AUTHORIZED UNDER S. 3732

S. 2862 (the administration bill), as introduced, required each State to pay a portion of the premium charged for flood insurance issued by the Federal Government covering property within that State. S. 3732, as favorably reported by the committee, does not include any such requirement. Neither did S. 3137, the Lehman-Kennedy bill.

It is reported that the President has indicated a desire that S. 3732 be amended to incorporate the idea of State financial participation in the program. Such a suggestion raises the question as to whether the use of State funds to pay a part of the flood-insurance premium would be legal. No easy answer exists for this problem. As to each State, Territory, and possession of the United States, solution of the problem requires a careful examination of the constitutional provisions, laws, and court decisions (State and Federal) governing the particular jurisdiction involved. Upon inquiry, both the Legislative Reference Service of the Library of Congress and the Council of State Governments replied that they had available no body of material that would prove decisive in answering this problem. The Service did furnish some views, using West Virginia as an example. It noted the Federal Government can impose constitutional conditions on its grant of benefits. But these must also pass State constitutional tests. Unofficially, the Council expressed doubt that such a use of State funds would be constitutional in several States. Within the very limited time available, as counsel for the committee, I have endeavored to check the material readily available concerning the legality of expenditures of State funds. While not complete, my research has been sufficient to sustain the following findings:

GENERAL STATEMENT

While the Federal Constitution is a grant of powers, each State constitution is a restriction on the exercise of powers. Its main function is to distribute the powers of the State as among executive, legislative, and judicial branches. Since State governments, as institutions, existed before the adoption of a State constitution, they possessed all rights and attributes of sovereign States. State constitutions were primarily outgrowths of the distrust of governments by colonists who shortly before had broken off allegiance to the English Government. The State constitution marked the boundaries of power beyond which State officials could not go.

Every State legislature possesses all legislative power of which it is not deprived, either by the Federal Constitution or the constitution of its own State. Powers of a State legislature are not granted or enumerated by a State constitution, but they are restricted by such constitution.

We therefore must look to (1) the State constitution and (2) the Federal Constitution to find limitations on a State's legislative power. Of course, the decisions of the State and Federal judiciary tell us how these limitations apply in given cases.

As noted in *Savings and Loan Association v. City of Topeka* (20 Wall. 655, 22 L. ed. 455, 87 U. S. 655 (1875)) there are some inherent limitations on what constitutes legislative power. This case held that even in the absence of a specific State constitutional provision to that effect, no State legislature has the right to levy taxes for a private purpose, as distinguished from a public purpose. On this theory it held unconstitutional a bill

enacted by the Kansas legislature authorizing cities of the second class to issue their bonds to aid establishment of factories in Kansas. In this particular case, the City of Topeka tried to use the purported authority in order to induce establishment of a private iron bridge construction works in Topeka. The court voided the act as being an attempt to take the property of the citizen under the guise of taxation to pay bonds and use it to aid an enterprise not public in character. Noting that taxation can only be exercised for a public use, the court asserted that the taxing power was here being perverted to aid individual interests and personal purposes of profit and gain. It stated that in every free government there are private rights beyond State control, else Government deteriorates into a despotism of the majority. It flatly rejected the theory of unlimited power in a State legislature to tax people.

The first test thus becomes whether taxes are to be used for a "public purpose" as distinguished from a "private purpose."

Many State constitutions expressly prohibit the use of public funds for a private purpose.

What constitutes a public purpose is a question of fact to be resolved in the first instance by a State legislature, subject to being overruled by a contrary interpretation reached by appropriate officers in the executive department (such as the State attorney general) and the judicial department, State and Federal.

The Topeka case mentioned above noted that past experience is helpful in determining when State expenditures could be approved as being for a public purpose. It was careful, however, not to restrict the use of State funds for such customary purposes. In general, the courts give much weight to the finding of the legislature as to what constitutes a public purpose. They emphasize the presumption in favor of holding acts of the legislature to be constitutional. The courts also insist, however, that the ultimate determination of what constitutes a public purpose is a judicial problem. Therefore, the courts have the final say, as distinguished from the legislature on this point.

There is no commonly accepted definition of public purpose which can be applied to each given situation in order to determine whether a proposed expenditure of State funds is constitutional. With changing times, situations once deemed to be outside the pale of public purposes are later held to fall within that category. For example, the Connecticut courts have held that payment of a bonus to veterans of the Armed Forces who were not inducted from the State of Connecticut did not constitute a public purpose as of 1912, but did as of 1947. Due to a changing pattern of traffic, the Delaware courts have held it a public purpose to provide parking space to motor vehicles, noting that it would never have been seriously contended that operation of a livery stable by a public body would be a proper public purpose for the expenditure of tax funds.

Examples of items now constituting a public purpose include veterans' benefits of various types (bonuses, tax exemptions, civil-service preferences), State aid to private educational institutions, encouragement to reforestation, highway improvement, care of the aged poor, slum clearance, compensation for the destruction of tubercular cattle, college dormitory construction, aid to county agricultural societies, maintenance of public libraries, and construction of public buildings.

No specific instances involving the payment of insurance premiums have been found except in the case of California. There, recent opinions of the Attorney General have drawn a fine line as to which insurance premium payments constitute a public purpose and which constitute a private purpose. The use of public funds to pay a portion of the premium for group life,

health and accident insurance covering public officers and employees has been held to be a public purpose permissible under the California Constitution. The Attorney General has held it to be doubtful whether the State can use public funds to insure a State officer against personal liability incurred under statutes that do not create a liability on the part of the State. In another later decision, the Attorney General has held that school districts are not authorized to purchase insurance covering the liability of pupils and parents for damages occurring from accidents that happen during automobile driver training instruction. Thus, in these three groups of opinions dealing with an insurance premium paid for wholly or partly out of public funds, we note the careful distinction made between public and private purpose.

No cases have been found involving the particular point at issue here, namely whether it is lawful to spend State tax funds for the purpose of paying part of the premium for flood insurance carried by a private citizen. Under the circumstances, it is not possible to state categorically whether such an expenditure would be considered as a public purpose in each State, Territory and possession. Before a conclusive answer could be obtained, it would be necessary to await judicial action in each State, Territory and possession. However, because of particular constitutional provisions in certain States, there are strong indications that any such expenditure of public funds would be held unconstitutional.

One of these States is New York. Article 7, section 8 of the 1938 New York constitution expressly provides "the money of the State shall not be given or loaned to or in aid of any private corporation, or association; or private undertaking; nor shall the credit of the State be given or loaned to or in aid of any individual, or public or private corporation or association, or private undertaking * * *." The omitted portion contains specific exemptions for certain State educational funds, and welfare, health, and retirement purposes, as well as an exemption for protection by insurance or otherwise, against the hazards of unemployment, sickness, and old age. In considering similar provisions in the 1894 New York constitution, the highest New York court in the case of *People v. Westchester County National Bank* (231 N. Y. 465, 132 N. E. 241 (1921)) held invalid a statute providing for grants to veterans. The court noted that while these grants could be held to constitute a public purpose, nevertheless, they were prohibited by the constitutional provision above mentioned. The specific exemption for old-age and unemployment insurance hardly seems broad enough to sustain a finding that the payment of flood-insurance premiums from State funds would also be exempt from the prohibition of the constitutional provision. An amendment to the New York constitution would, therefore, probably be necessary to sustain the validity of any such payment.

Other types of specific State constitutional provisions prevent certain expenditures of State funds even though the purpose to which they are to be devoted is a public purpose. For example, article 1, section 1 of the Connecticut constitution prohibits exclusive public emoluments to be given to any man or set of men. As recently as 1952, the Connecticut Supreme Court of Errors held unconstitutional, as being in violation of this particular section, a statute providing veterans' benefits to a limited number of the members of a police and fire department in a single city. The court likened this provision to that found in article 14 of the Federal Constitution prohibiting States from denying to any person the equal protection of the laws.

The same court took cognizance of article 4, section 4 of the United States Constitution, which guarantees a republican form of government in each State. The court concluded that this particular provision forbade the raising of taxes for any but a public purpose. In view of this holding, mere amendment of the State constitution would be insufficient to make valid an expenditure of State funds for other than a public purpose. In fact, the language used by some of the courts, including the United States Supreme Court, indicates that the legislative power itself is limited by fundamental principles of natural justice, regardless of specific provisions in constitutions.

The foregoing is sufficient to indicate that any amendment to S. 3732 requiring State payment of a portion of a flood-insurance premium charged for policies covering properties within a given State would raise serious doubts as to the constitutionality of such an arrangement. This is not to say that such payments would not ultimately be held to be valid in any given State. However, a long period of delay may well ensue pending determination of this matter in the various State or Federal courts. The accompanying memorandum discusses some of these problems as they arise under specific State constitutions.

LEGALITY OF USE OF STATE FUNDS TO PAY FLOOD INSURANCE PREMIUMS

CALIFORNIA

Article IV, section 31 of the California constitution denies the legislature power to make any gift or authorize the making of any gift of public money or thing of value to any individual, municipality or other corporation.

The recent case of *Mallon v. City of Long Beach* (44 Cal. (2d) 199, 282 p. (2d) 481 (1955)) holds that this provision prevents the city of Long Beach from using income from tideland oil and gas to construct local public improvements, where this income had been granted in trust to the city by the State. The court admitted the proposed use was for a "public purpose." But it said that since the city public projects would be of no benefit to all people of the State, it was tantamount to a gift of State funds to a municipality. It noted this was expressly prohibited by the above provision of the constitution.

The court distinguished the case of *County of Los Angeles v. Southern Calif. Tel. Co.*, (32 Cal. (2d) 378, 196 p. (2d) 773) on the ground that the franchises in that case resulted in a continuing benefit to the State itself, not merely a county benefit.

In a similar vein, in the *City of Oakland v. Garrison* (194 Cal. 298, 228 p. 438) the court upheld as valid the appropriation of county funds to improve a city street, because under the circumstances, the street benefited the people of the county in general.

County relief payments to an indigent Indian living on a reservation in the county were upheld in *Acosta v. San Diego County*, (Cal. 272 p. (2d) 92 (1954)).

In upholding a school district's power to dedicate school land for a public road, the court in *Ransom v. Los Angeles City High School District* (Cal. 277 p. (2d) 455 (1954)) noted that such a use of public property isn't barred by the provisions of article IV, section 31 of the California constitution (see above), as long as (1) it is to be used for a public purpose, and (2) it will benefit the entity making the appropriation, rather than merely some lesser-included entity.

Under these tests the following expenditure of public funds were judicially approved:

Erection of memorial hall for war veterans—*Allied Architects Association v. Payne* (192 Cal. 431, 221 p. 209); compensation for destruction of tubercular cattle—*Patrick v.*

Riley (209 Cal. 350, 287 p. 455); slum clearance, *The Housing Authority v. Dockweiler* (14 Cal. (2d) 437, 94 p. (2d) 794).

But two recent transactions have failed to qualify under the same tests. In the first, providing State money through the State welfare board to an aged person found not to be in need was held to violate article IV, section 31 (the court noting that had the person been needy, the expenditure would have been made constitutional by art. IV, sec. 22 of the California Constitution authorizing State care for indigent aged persons). (*Bertch v. Social Welfare Department of the State* (Cal., 276 p. (2d) 891 (1955)).)

In the second, a purported contract was held unconstitutional under article IV, section 31, of the California constitution. By the contract the city of Los Angeles tried to grant joint use of its sewage facilities to the city of Vernon without receiving from the city of Vernon a proportionate share of construction and maintenance costs. The court held this constituted a gift of the property of the citizens of Los Angeles in violation of the constitutional provision. *City of Vernon v. City of Los Angeles* (Cal. 275 P. (2d) 72 (1954)).

McQuillin in his work on Municipal Corporations (vol. 2, 3d ed., sec. 4.184, p. 237) comments that California decisions recognize no distinction between use of public funds to bestow a mere gratuity and their use to pay a claim resting on a moral (but not an enforceable legal) obligation. Both uses fall under the ban of article IV, section 31, of the California constitution. He cites *Conlin v. San Francisco* (114 Cal. 404, 46 P. 279); *Conlin v. San Francisco* (99 Cal. 17, 33 P. 753); *Creighton v. San Francisco* (42 Cal. 446).

Recent decisions of the California courts, as shown above, do not follow the timorous path taken by the court in 1891. A situation then involved the legislature's power to appropriate State funds to pay a surveyor for services performed before California became a State. The court held it could not look into the facts of the case, but must rely on the legislature's action in finding that suitable facts existed to justify enacting the bill. *Stevenson v. Colgan* (91 Cal. 649 (1891)); see *Rankin v. Colgan* (92 Cal. 606).

Opinions of the attorney general

Recent opinions of the attorney general of California have drawn a fine line between public purpose and private purpose in the use of public funds to pay insurance premiums.

A series of these opinions has upheld such use of public funds by counties and other public agencies to pay part of the premium on group life, health, and accident insurance covering public officers and employees. (Attorney General's opinion No. NS 3976, January 7, 1942; see also Attorney General's opinion Nos. NS 474, July 27, 1937; NS 475, July 24, 1937; NS 2272, January 22, 1940; and NS 2272a, March 27, 1940.)

But in other opinions, the Attorney General has held it to be doubtful whether the State can insure the personal liability of a State officer under statutes not creating a liability on the part of the State. (Attorney General's opinion No. NS 1213a, October 28, 1938; see Attorney General's opinion No. NS 3304, February 26, 1941.)

Finally, in a later opinion, the Attorney General held that school districts are not authorized to purchase insurance covering the liability of pupils and parents for damages from accidents that happen during automobile driver training courses. (Attorney General's opinion (1950) 15, p. 153.)

The distinction between public purpose and private purpose is noticeable in the reasoning of these three groups of opinions by the Attorney General. At what point in this spectrum payment of part of the premium for flood insurance would fall, it is difficult to say. These various decisions serve as guides to the principles involved in the answer, but

are not in themselves conclusive as to the answer.

In passing, it should be noted that cases dealing with use of public funds pursuant to a freeholder's charter do not serve as precedents for the use of State funds. The case of *Tevis v. City and County of San Francisco, Calif.* (272 P. (2d) 757 (1954)) noted that article IV, section 31 of the California constitution appears in that portion regulating the powers of the State legislature, and does not apply to powers derived from a freeholder's charter authorized directly by a different section of the constitution. Hence a local government may be able to spend public funds under such a charter in a manner the State legislature is prohibited from doing by article IV, sections 31 and 32 of the constitution.

The amendment to S. 3732 suggested by the President would call for the expenditure of State, rather than local government funds. Hence article IV, section 31 requires consideration in connection with any such expenditures.

Problems requiring judicial answers are (1) would such a use of State funds be for a public purpose? (2) If so, would it benefit all the people of the State or is it rather merely a gratuity to those who happen to buy flood insurance on property located in California, thus being barred by article IV, section 31 of the California constitution?

No court decision is now conclusive on these points. An answer must therefore await final court action on this problem by State or Federal courts. Meanwhile validity of the Federal flood insurance program as it applies in California would remain in doubt.

No such doubt exists in the absence of an amendment to S. 3732 requiring the State to pay part of the flood insurance premium on policies covering property in California.

CONNECTICUT

Problem

Can Connecticut State funds be lawfully used to pay a portion of the premium for flood insurance purchased by an insured on real or personal property located in Connecticut.

Discussion

No case decisive of this issue beyond doubt has been found after a thorough search of Connecticut law.

Public versus private purpose

One of the leading cases in Connecticut concerning the issue as to whether an expenditure of public funds was made for a public or a private purpose is *Beach v. Bradstreet* (85 Conn. 344 (1912)). The criteria for deciding this issue as laid down in that case are still good law in Connecticut, even though the application of those criteria to specific situations has changed with changing times.

Legislative power

The court noted that the range of powers permitted by the State constitution to each department of State government is limited by the United States Constitution and the State constitution. It also raised, without completely deciding, the possibility that such powers are also limited by fundamental principles of natural justice constituting the ligament of the social compact upon which all constitutional government rests. The court stated, however, that the legislative power of the Connecticut General Assembly was limited by those essential principles of liberty and free government set forth in the Connecticut Bill of Rights.

Taxing power for public purpose only

Among the legislative powers is that of taxation, conferred by necessary implication in Connecticut. This is also subject to the same essential principles of liberty and free government that condition the existence of the entire State government.

The court quoted with approval from the 1875 United States Supreme Court case of *Loan Association v. Topeka* (20 Wall. (U. S. 655)) the following principle:

"There is no such thing in the theory of our governments, State and National, as unlimited power in any of their branches."

From the same case the court adopted the holding that a foundation principle of all constitutional government is that taxation can lawfully be imposed only for a public purpose. The Connecticut court supports its view by holding that article 4, section 4 of the United States Constitution, guaranteeing a republican form of government in each State, thereby forbids the raising of taxes for any but a public purpose. Further protection for this view, says the court, is provided by the 14th amendment to the United States Constitution, which voids any act of State legislation denying the fundamental law of its land.

Constitutional provision

To this 14th amendment prohibiting States from denying to any person equal protection of the laws, it likens article first, section 1 of the Connecticut Constitution. This section provides that no man or set of men are entitled to exclusive public emoluments or privileges from the community. Neither, the court notes, prevents the legislature from dealing differently with different classes, provided there is some natural and substantial difference germane to the subject and purposes of the legislation between those within and those outside the class.

This combination of valid classification and accomplishment of a public purpose must conjoin in order to uphold as valid the expenditure of public tax funds on behalf of a portion of the Connecticut public.

Public purpose

What is a public purpose? The Connecticut court expresses the answer in several similar ways. *Beach v. Bradstreet*, supra, dealing with a Civil War veterans' bonus, used this test: "Will it serve a recognized object of government, and will it directly promote the welfare of the people of the State in equal measure?" In another reference, the court in this case said the purposes of taxation must be kept within the range of subjects which bring to the State a direct benefit. *Lyman v. Adorno* (133 Conn. 511 (1947)), dealing with the World War II veterans' bonus, and *Walsh v. Jenks* (135 Conn. 210 (1948)), dealing with limited exemption of World War II veterans from real property taxes, phrased the test of public purpose in these terms: Will it promote the public welfare of the people of this State? In the Walsh case, the court quoted favorably language used by the United States Supreme Court in *Loan Association v. Topeka*, supra, indicating that in deciding whether a tax is imposed for a public purpose, reliance is placed on usage as to purposes deemed necessary to the support and proper use of government. But this is not the sole test as to whether a tax is levied for a public purpose. *State ex rel. Higgins v. Civil Service Commission* (139 Conn. 102 (1952)), dealing with promotion preference for World War II veterans under the civil-service system, suggested the act must promote, among other things, the general welfare of the community.

By all these tests, the court was able to uphold the various benefits conferred on World War II veterans as falling within the limits of a public purpose. Promotion of patriotism meets the test of public purpose. On the other hand, the Civil War bonus had been rejected as unconstitutional under the same tests, because in the eyes of the 1912 court, paying Connecticut funds to a veteran who served in the Federal Armed Forces as part of the quota from a State other than Connecticut would confer no more than an indirect benefit on Connecticut; not such a direct benefit as would sustain an expendi-

ture of Connecticut State funds. Changed conditions since Civil War times led the court to hold that World War II veterans contributed a direct benefit upon Connecticut by serving in the Federal Armed Forces, regardless of from which State they were inducted into those forces.

Indirect private benefit permissible

Under Connecticut law, if a statute is found to serve a public purpose, it is not made invalid merely because it also confers a direct benefit on one or more individuals. This principle was laid down in detail in the Lyman case, supra, and affirmed in the Walsh case, supra, and *State ex rel. Higgins v. Civil Service Commission* (139 Conn. 102 (1952)). As example, the court cited tax exemption of lands appropriately planted with forest trees and of private educational institutions. In these cases, direct benefits flow to the landowner and students, respectively, but the statutes have been upheld as being for a public purpose. (See *Baker v. West Hartford* (89 Conn. 394).) In the Lyman and Walsh cases, direct benefits were received by the veterans receiving the bonus and tax exemptions there involved; yet the statutes were sustained as serving the public purpose of patriotism.

Federal program immaterial

Both the Lyman case and the Walsh case noted that merely because it is a Federal, rather than a State, function to wage war, it does not follow that the State cannot receive a direct benefit from the performance of this function. In the Lyman case, supra, at page 519, the court said:

"Such service no less protects this State and its people because it is rendered under the Federal Government."

Presumption in favor of validity of statute

The Lyman case, supra, notes that the initial determination that a statute serves a public purpose is for the legislature, citing *State v. Gillette* (98 Conn. 702) as saying the legislature is the arbiter of public policy. Neither the wisdom of the statute nor the magnitude of the amount it involves is any concern of the court. The legislature's declaration of the existence of a public purpose is deserving of great weight, and in the absence of any express legislative declaration of purpose, the statute will be presumed to have been enacted in order to serve a public purpose, if in fact the court finds the statute is appropriate to serve a public purpose. Unless the statute is invalid beyond a reasonable doubt, in the judgment of the court, it will be presumed to be constitutional. Compare *State ex rel. Higgins v. Civil Service Commission*, supra.

But having noted all these factors tending to sustain the constitutionality of a statute, the court in the Lyman case, supra, at page 517, goes on to say:

"While legislative findings of fact are persuasive, the question whether an expenditure of public money is for a public purpose is a subject of judicial inquiry, and they are not controlling upon the courts which required to determine such a question."

In other words, the final say on this matter of whether the statute serves a public purpose rests with the courts rather than with the legislature.

And in *Warner v. Gabb* (139 Conn. 310 (1952)), the Connecticut Supreme Court of Errors exercised its prerogative of reviewing the facts to determine whether a public purpose really existed. The case involved a statute giving extra pension retirement benefits to World War II veterans in the Hartford police and fire departments who had been employed in either department when they entered the Armed Forces. The court found a public purpose existed that could be the constitutional foundation for an appropriate statute. It cited the encouragement to recruitment of civil servants in these depart-

ments, the increase in performance efficiency attained because of a sense of security, and the prevention of rapid turnover in department personnel.

Nevertheless the court held the statute unconstitutional, because it found the act was not reasonably designed to further these public purposes. The statute foundered on the rock of article 1, section 1, of the Connecticut constitution, forbidding exclusive public emoluments to any man or set of men. Because the act applied to such a small class of persons (certain members of the police and fire departments in one city) as compared with the larger number who might have qualified under the public purpose involved, the court held this statute created an unjust discrimination rather than a valid classification.

In this case we have a very recent example of a statute held to be unconstitutional even though it passed the test of involving a public purpose.

Conclusion

Coming to the instant problem of the legality of the use of State funds to help pay an individual's flood-insurance premium, two major problems seem to require solution.

First, would this expenditure involve a public purpose?

Second, would aid so granted only to those who choose to purchase flood insurance be an appropriate method of carrying out a public purpose, if such a purpose is found to be involved?

Under existing Connecticut law, it appears it would be necessary for these two questions to receive an affirmative answer, first, in the general assembly; and second, in the courts, before a statute bringing such aid into being could be definitely held constitutional.

It also seems important to point out that under current Connecticut law, a finding of lack of either public purpose or valid classification could not be cured merely by amending the Connecticut constitution. As noted above, the Connecticut Supreme Court of Errors has already created a body of law indicating that any such amendment would likely run afoul of provisions in the United States Constitution dealing with a republican form of government and equal protection of the laws to all persons despite State action to the contrary (art. 4, sec. 4, and amendment 14, respectively).

ALABAMA

Section 93 of the constitution of Alabama, 1901, forbids the State from being interested in any private or corporate enterprise, or lending its money or its credit to any individual, association, or corporation.

Section 94 of the constitution prohibits the grant of public money to an individual.

In *Opinion of the Justices* (244 Ala. 632, 15 So. (2d) 41), the court held section 93 was directed against the lawmaking power of the legislature.

In *State ex rel. Dorlan v. Stone* (30 Ala. App. 413, 6 So. (2d) 898) the court held that payment of a just, though legally unenforceable, claim against a county is not prohibited by section 94.

ARKANSAS

Amendments No. 13 and 20 of the Arkansas constitution prohibit the State and its subdivisions from lending their credit and restrict the issuance of State bonds.

In *McArthur v. Smallwood* (Ark. 281 SW (2d) 428) the Supreme Court of Arkansas upheld as not violating these provisions a 1955 act creating the Arkansas Justice Building Commission.

DELAWARE

Article 8, section 8, of the Delaware constitution prohibits a municipality from lending credit or appropriated money to a private corporation, person, or company.

The recent case of *Wilmington Parking Authority v. Ranken* (105 A. (2d) 614 (1954)) upheld as constitutionally valid an act of the Delaware Legislature declaring off-street parking of motor vehicles to be a public purpose. Admitting that public funds may not be constitutionally appropriated for private purposes, the court upheld the statutory provision permitting the authority to acquire off-street parking areas and lease out space on a commercial basis in order to help finance the parking facilities. It noted that the phrase "public purpose" is not susceptible of precise definition and that it is not possible to adopt any rigid rule by which to determine whether a purpose or use is to be held public or private, but it stated it to be clear that as public needs vary with the times and with changed conditions, so an activity once thought to be strictly private may become a proper subject for public action or control. As an example, it stated that 60 years ago no one would have suggested that a State operated livery stable would have served a public purpose; but, at the present, grave problems created by the automobile, including parking, are a fit subject for public concern.

The Court followed the usual rule in holding that while legislative finding of public purpose is entitled to great weight, it is not conclusive and the determination of what constitutes a public purpose is ultimately a question for the courts. It commented that the evil aimed at by the constitutional provision above noted is the union of public and private capital or credit in any sort of enterprise. However, it held that the constitutional provision does not prevent a municipality from devoting funds to its own public improvements, even though these include the process of leasing out space for commercial purposes.

FLORIDA

Article 9, section 10 of the Florida constitution forbids the State from pledging or lending its credit to any individual, company, corporation or association.

In *State v. Inter-American Center Authority* (Fla. 84 So. (2d) 9; (1956)), the Florida Supreme Court held that a State statute to finance construction, from public funds, of an Inter-American Cultural and Trade Center was for a "public purpose," and therefore did not violate the above provision of the constitution.

IDAHO

Article 8, section 2 of the Idaho constitution provides that State credit shall not in any manner be given or loaned to or in aid of any individual, association, municipality or corporation.

The highest court in Idaho, in the recent case of *Davis v. Moon* (Ida., 289 P. (2d) 614), upheld as not in violation of that provision the Legislative Act of 1955 appropriating funds to pay certain dormitory revenue bonds, including interest, issued in 1950 by the State Board of Education to construct a dormitory at Northern Idaho College of Education. Since the legislature appropriated no funds for operation of the college in 1951, it had ceased operations. In 1955 the college resumed operations as the Lewis-Clark Normal School. The court held the 1955 act was for a public purpose, not a private purpose.

LOUISIANA

Article 4, section 12 and article 6, section 29 of the Louisiana constitution of 1921 prohibit the loan of State credit to a corporation.

MAINE

Article 9, section 14 of the Maine constitution prohibits the loan of State credit to a corporation.

MICHIGAN

Article 10, section 12 of the Michigan constitution provides that the State's credit shall not be granted to or in aid of any person, association, or public or private corporation.

The court in *City of Dearborn v. Mich. Turnpike Authority* (344 Mich. 37, 73 N. W. (2d) 544), upheld as not violating this constitutional provision the Turnpike Act appropriation of \$500,000 from the State highway department's share of the motor vehicle highway fund as a revolving fund for use in planning toll roads.

MISSOURI

The Missouri constitution contains prohibitions against giving special privileges, lending public credit, and granting public property in aid of a private person, association, or corporation. *V. A. M. S. Constitution* (art. 1, sec. 28; art. 3, secs. 38 (a) and 30; and art. 6, secs. 23 and 25). In a recent case the highest court in Missouri has held that none of these constitutional provisions are violated by the Missouri land clearance for redevelopment authority law, which permits the authority to take and redevelop blighted areas and resell them to private persons at a price less than the cost of acquisition, demolition, and improvement. (*State on Information of Dalton v. Land Clearance for Redevelopment Authority of Kansas City, Mo.* (270 S. W. (2d) 44).)

NEW HAMPSHIRE

In a program to aid the location of industry in New Hampshire, the highest court of the State, in a declaratory opinion, held that the proposed legislation creating an industrial park authority was objectionable under the State constitution because it would make no provision for determining that a particular industrial project would serve the public purpose or for determining that the public is not already adequately served in this respect. The court noted that such a provision would be needed to assure the undertaking would actually be for a public purpose. Secondly, the court objected to the bill because it lacked standards to guide and control the action of the authority in using its powers. Third, the court noted that the bill lacks provision for an authoritative finding that a particular industrial project would be within the stated purposes of the act and would not primarily benefit private users. The court noted that it is the essential characteristic of the bill rather than its declared purpose that must govern in deciding whether it promotes a public purpose. Holding that an appropriation of public money for a private purpose is forbidden, the court posed itself the question of deciding whether the proposed expenditures under the bill would be primarily of benefit to private persons or private uses, or whether they would serve public purposes for the accomplishment of which public moneys may properly be used.

The court noted that if the public purpose would be no more than the indirect public advantage accompanying industrial welfare and general prosperity, this alone would not serve to sustain the bill as being constitutional in view of the constitutional principle against taxation for private purpose.

The court noted that the bill presents a double aspect in that in some respects it would benefit the public and in another it would benefit private individuals. It held that such legislation is neither necessarily invalid because individuals as such may profit from it, nor necessarily valid because of benefits provided for the public. It stated that the question is whether the legislation bears directly and immediately or only remotely and circumstantially upon the public welfare. As noted, the court deter-

mined that House bill 424 in the form in which it was presented to the court could not pass the constitutional test. *In re Opinion of the Justices* ((94 N. H. 515, 53A (2d) 194); *in re Opinion of the Justices* (88 N. H. 484, 190A.425). Compare *Velishka v. Nashua* (99 N. H. 161, 106A (2d) 571).

The similarity of the problems discussed by the court concerning house bill 424 and the problems involved in requiring the State to pay a portion of the premium for flood-insurance policies covering properties located in New Hampshire is apparent.

NORTH DAKOTA

Section 185 of the North Dakota constitution prohibits donation of public funds to individuals.

In *State v. Amerada Petroleum Corp.* (N. D., 71 N. W. (2d) 675), the court held this was not violated by a resale of land foreclosed by the State, even though the value of the land greatly increased in value after the sale due to discovery of oil on the land.

OHIO

Article 8, section 4 of the Ohio constitution prohibits State credit from being given or loaned to or in aid of any individual, association, or corporation.

In the case of *Auditor of Lucas County v. State ex rel. Boyles* (75 Ohio St. 114, 78 N. E. 955), the court held to be in violation of this constitutional provision an act providing a payment from public funds of \$25 per quarter year to blind persons. The court held that this required an expenditure for a private purpose of public funds raised by taxes. The court cited *Savings and Loan Association v. Topeka* (20 Wall. (U. S.) 655, 22 L. ed. 455), as holding that an incidental public benefit is not sufficient to save a law from the charge of unconstitutionality as a use of public funds for a private purpose.

The Ohio State constitution had to be amended in order to make valid the enactment of statutes providing for bonuses for veterans.

Examples of cases in Ohio upholding expenditures of public funds as being consistent with the above provision of the constitution are:

State ex rel. Dickman v. Defenbacher (164 Ohio St. 142, 128 N. E. (2d) 59 (1955)), involving an appropriation of public funds to certain veterans' organizations for the rehabilitation of veterans and the promotion of patriotism. This was held to constitute a public purpose;

State ex rel. Leaverton v. Kerns (104 Ohio St. 550, 136 N. E. 217), involving State aid to a county agricultural society. The court held that an agricultural fair is a public institution designed for public instruction, rather than an agricultural business. Article 8, section 4, of the constitution would prevent the State from furnishing financial aid to such a business;

State ex rel. Pugh v. Sayre (90 Ohio St. 215, 107 N. E. 512), involving an allocation of public funds derived from police court fines to a private corporation, namely, the Franklin County Law Library Association, in order to maintain a law library used by all officers exercising judicial functions in the county.

As to the meaning of "public purpose" in Ohio law, the court in *State ex rel. Leaverton v. Kerns*, supra, quoted from *Walker v. City of Cincinnati* (21 Ohio St. 14, 8 Am. Rep. 24), which in turn said:

"On this subject we cannot do better than to adopt what is so well said by Judge Cooley, in his treatise on Constitutional Limitations, pages 128, 129, where, in speaking of limitations upon legislative authority, he says: '* * * But what is for the public good, and what are public purposes, and what does properly constitute a public burden, are questions which the legislature must

decide upon its own judgment, and in respect to which it is vested with a large discretion which cannot be controlled by the courts, except perhaps where its action is clearly evasive, and where, under pretense of a lawful authority, it has assumed to exercise one that is unlawful. Where the power which is exercised is legislative in its character, the courts can enforce only those limitations which the constitution imposes, and not those implied restrictions, which, resting in theory only, the people have been satisfied to leave to the judgment, patriotism, and sense of justice of their representatives."

VIRGINIA

The recent case of *Almond v. Day* (Va. 89 S. E. (2d) 851) declared unconstitutional a statute providing for payment of tuition and fees from public funds to children attending private schools. The court held that this action would violate section 141 of the Virginia constitution, which generally forbids appropriations of public funds to any school not owned or exclusively controlled by the State or some political subdivision of the State. As regards sectarian schools the court held the proposed appropriation would also violate sections 16, 58, and 67 of the Virginia constitution dealing with religious freedom and the 1st and 14th amendments to the United States Constitution. In reaching its decision, the court followed what it called the general rule that the purpose and constitutional validity of a statute must be determined by its natural and reasonable effect, no matter the language in which it is phrased.

No case more directly in point has yet been found in Virginia within the limited time available for research.

WISCONSIN

Article 8, section 3, of the Wisconsin constitution prohibits the State from giving or lending its credit.

State ex rel. Thomson v. Giessel (Wis., 72 N. W. (2d) 577 (1955)) holds this provision doesn't prohibit incurring a State obligation to pay rent contingent upon the corresponding enjoyment of property rights. It also held State university dormitory construction did not violate the State debt limit in article 8, sections 4 and 6, of the constitution, nor was this an internal improvement the State was barred from engaging in by article 8, section 10, of the constitution.

Mr. LEHMAN subsequently said: Mr. President, I ask unanimous consent to have inserted at the appropriate place in the RECORD, as a part of my remarks, a letter addressed to the Senator from Arkansas [Mr. FULBRIGHT], chairman of the Senate Banking and Currency Committee, by Dr. Ernest S. Griffith, Director of the Legislative Reference Service of the Library of Congress.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

THE LIBRARY OF CONGRESS,
LEGISLATIVE REFERENCE SERVICE,
Washington, D. C., May 4, 1956.

Hon. J. WILLIAM FULBRIGHT,
Chairman, Senate Banking and Currency
Committee, United States Senate,
Washington, D. C.
(Attention Mr. William F. McKenna,
counsel.)

DEAR SENATOR FULBRIGHT: This is in reply to your letter of May 2, 1956, wherein you refer to a statement of the Housing and Home Finance Agency relating to desired information concerning limitations on State participation in a flood-indemnity program. (See Federal Disaster Insurance, hearings before a subcommittee of the Committee on Banking and Currency, Feb. 16, 1956, pt. 2, pp. 951-952.)

According to a memorandum submitted by the Agency, the proposal is for a flood-indemnity program on a Federal-State partnership basis. Individual States may participate in this program by agreeing to make certain financial contributions to a Federal flood-indemnity fund. Such contributions would be matched by the Federal Government. If a State agrees to participate, flood-indemnity contracts would be made available to the owners of property located in that State, upon payment of a fee, protecting them against flood loss or damage. The total amount of the State's contribution would depend on the amount it was required to pay with reference to each individual contract covering property in that State, as well as the total volume of indemnity contracts written in the State. The Administrator would determine the State's share as to individual contracts according to standards set forth in the bill. This may be any amount up to one-third of the amount of the fee paid by the person indemnified.

We find it impossible, within the time available, to prepare a complete answer based on the four points outlined in your letter concerning possible State constitutional or other legal barriers. However, in an attempt to be of some assistance in the matter, we believe we can use West Virginia as an example to indicate the nature of the problem faced in connection with the proposal to require that as much as 20 percent of the total premium charge for the policy issued by the Federal Government shall be paid by the State in which the insured property is located.

We start with the proposition that Congress has power to condition its grants; that it is hardly lack of due process of law for the Government of the United States to regulate that which it subsidizes. (*Wickard v. Filburn* (1942), 317 U. S. 111, 131.) While the United States is not concerned with, and has no power to regulate, local or State activities as such, it does have power to fix the terms upon which its money allotments to States shall be disbursed. (*Oklahoma v. Civil Service Commission* (1947), 330 U. S. 127, 143.)

The problem cannot, however, be disposed of merely by noting this power of Congress to condition its grants. Consideration must be given to State constitutional limitations or applicable statutory provisions. The latter, of course, are more easily adjusted. For example, the provision in the Constitution of the State of West Virginia (art. X, sec. 4) reads:

"No debt shall be contracted by this State, except to meet casual deficits in the revenue, to redeem a previous liability of the State, to suppress insurrection, repel invasion, or defend the State in time of war; but the payment of any liability, other than that for the ordinary expenses of the State, shall be equally distributed over a period of at least 20 years."

The State supreme court of appeals held that the compact provisions pledging cooperation in maintaining waters in the Ohio River Basin and a sanitary condition through the administrative mechanism of the Ohio River Valley Sanitation Commission, and requiring appropriations to cover the proper proportion of the annual budget, conflicted with the above section and for that reason was not binding on West Virginia.

In reversing the State court on this point, the United States Supreme Court noted its own constitutional jurisdiction to entertain an original suit to settle interstate disputes relating to such pollution. However, the Constitution of the United States has provided also an alternative method of settlement by compact. A proper settlement by the latter method, said the Court, could not be foreclosed by a State constitutional restriction. (See *West Virginia v. Sims* (1951), 341 U. S. 22.)

As we understand the 20-percent proposal you have referred to, no compact or similar Federal constitutional power or arrangement is involved which would override a State limitation. Accordingly, we are unable to say that State constitutional provisions such as article X, section 4, supra, would not be construed as impeding State participation. Of even greater importance, perhaps, are other constitutional provisions, such as section 6 of article X, supra. It states:

"The credit of the State shall not be granted to, or in aid of, any county, city, township, corporation, or person; nor shall the State ever assume, or become responsible for the debts or liabilities of any county, city, township, corporation, or person; nor shall the State ever hereafter become a joint owner or stockholder in any company or association in this State or elsewhere formed for any purpose whatever."

Under this, an appropriation by the legislature of public revenues for private purposes is said to be beyond its legitimate powers. (See, for examples, *State ex rel. Bennett v. Sims* (1948), 131 W. Va. 312, 48 S. E. 2d 13; *State ex rel. Catron v. Sims* (1950), 133 W. Va. 610, 57 S. E. 2d 465; *State ex rel. Board of Governors of West Virginia University v. Sims* (1954), 82 S. E. 2d 321.)

These are indicative of problems which proponents of the State contribution requirement probably should resolve unless they intend to use that requirement to force States to make constitutional or statutory adjustments. As a further indication of the types of constitutional provisions which may be of importance, we invite attention to Index Titles of State Constitutions (1915) prepared for the New York State Constitutional Convention Commission by the Legislative Drafting Research Fund of Columbia University. See particularly the entries under the subheading "State Debt," pages 1303 ff.

Sincerely yours,

ERNEST S. GRIFFITH,
Director.

Mr. RUSSELL. Mr. President, I offer the amendment which I send to the desk and ask to have stated. It was discussed earlier.

The PRESIDING OFFICER. The amendment offered by the Senator from Georgia will be stated.

The LEGISLATIVE CLERK. It is proposed to strike from page 11, line 20, all of subsection (b), beginning on line 20, through line 2, on page 12, and relettering subsection (c) as (b).

Mr. LEHMAN. Mr. President, I cannot help taking this opportunity to say that the bill over which we have worked for months, for which the people have been waiting, and which would have rendered a very great service, has been seriously crippled by the amendment which has just been adopted.

I shall, of course, accept the amendment offered by the Senator from Georgia, as I have previously agreed to do.

Mr. KNOWLAND. Mr. President, may we have the yeas and nays on the final passage of the bill?

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Georgia [Mr. RUSSELL].

The amendment was agreed to.

Mr. KNOWLAND. Mr. President, I ask for the yeas and nays on the final passage of the bill.

The yeas and nays were ordered.

Mr. KERR. Mr. President, I offer the amendment which I send to the desk and ask to have stated.

The PRESIDING OFFICER. The amendment offered by the Senator from Oklahoma will be stated.

The LEGISLATIVE CLERK. It is proposed, after the word "flood" or the words "flood or floods," wherever they appear in the bill, to insert the words "tornado, wind, or cyclone."

Mr. LEHMAN. Mr. President, is the Senator from Oklahoma going to speak to his amendment?

Mr. KERR. I shall not if it is accepted.

Mr. LEHMAN. Mr. President, is the amendment now before the Senate?

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Oklahoma.

Mr. LEHMAN. Mr. President, I did not know whether the Senator from Oklahoma was going to speak to his amendment.

Mr. KERR. I did not intend to do so. If the Senator from New York opposes the amendment—

Mr. LEHMAN. I oppose the amendment.

At the beginning, Mr. President, we felt that we should have a very comprehensive bill which would include not only natural disasters, but manmade disasters.

After the hearings had proceeded it was soon perfectly clear that we would get nowhere with regard to that procedure. We also thought of various natural disasters which should be included, such as tornadoes, earthquakes, fires, and other disasters. The situation became so complicated and there was so much opposition on the part of insurance companies that it was found impossible to include the number of natural disasters which ordinarily should be, in the opinion of many persons, included. So we decided merely to include insurance against loss from flood disasters. That is what the bill now contains.

The basis of our philosophy is that all other natural disasters, such as tornadoes, earthquakes, and hurricanes, can be protected against by private insurance. Flood damage to property cannot be generally covered by any private insurance now available. Therefore, we decided to limit the bill to flood insurance. There is no reason for including tornado insurance that I can see. I dislike to differ with my very highly respected colleague from Oklahoma, but there is no reason for including tornado insurance. That can be covered by countless insurance companies, and has been for many, many years. There is no difficulty about it, and the rate is not prohibitive, at least, no more prohibitive than it would probably be under Government auspices, in the absence of a subsidy.

I think that to include other disasters would be a final blow to the bill. It would open the door so wide to the insurance, that the very limited amount of liability which would be permitted to the Government—\$3 billion, with an extra \$2 billion to be used in the discretion of the President—would mean abso-

lutely nothing. Only a small fraction of the people could be covered by the flood insurance, which is the matter now before us, and on which the Committee on Banking and Currency was engaged for several months.

I hope the amendment will not prevail. I feel that already almost irreparable damage has been done to the bill, which I hope, nonetheless, will pass, because it may do a little good for the people.

But, Mr. President, if the amendment of the Senator from Oklahoma should be adopted, the door would be opened so wide that there would be no significance whatsoever in respect to the provisions of the bill as it now stands.

Mr. LANGER. Mr. President, will the Senator yield?

Mr. LEHMAN. I yield.

Mr. LANGER. The Senator believes in Federal insurance for everything for which private insurance companies will not insure, does he not?

Mr. LEHMAN. I believe in Federal insurance for everything which private insurance companies will not insure, provided the liability of the Federal Government can be widened to a point which is practicable. Therefore, we have in the bill a provision to require that a continuing study shall be made by the Commissioner of Insurance with respect, first to additional natural disasters which might be covered by Government insurance, and also that the Commissioner shall report to Congress periodically, and finally in 1961, with regard to whether the whole program of insurance by the Government against flood damage should be continued.

Mr. LANGER. The Senator knows, does he not, that no private insurance can be obtained against droughts. In the Middle West, we are bothered very much with droughts. Does the Senator from New York have any objection to including droughts in the program?

Mr. LEHMAN. I am sorry to say that I object very much to including anything else in the bill, because I think that would be another way of making the whole program contemplated by the proposed legislation completely ineffective. I do not think we could do it.

The time may come when many natural disasters can be covered. As a matter of fact, I started with the idea of including in the bill manmade disasters, such as would result from atomic or hydrogen bomb attacks. But it was perfectly evident that we would not get anywhere with such a program, and that it seemed completely outside the means of the Government to insure against that kind of disaster on actuarial principles.

Mr. BUSH. Mr. President, I urge the Senate to reject the amendment. I support everything which the Senator from New York has said. The whole purpose of the bill is to provide insurance against flood disaster, because that is the only type of disaster which is not insurable by private sources. This is a very serious matter. I hope the Senate will reject the amendment.

Mr. LANGER. Will the Senator from Connecticut be so kind as to tell me where a farmer can get insurance against drought?

Mr. BUSH. The only such insurance that I know of which would be available to farmers is under the crop-insurance program.

Mr. LANGER. Unfortunately, that does not help the farmer who suffers from drought.

Mr. KERR. Mr. President, I think the amendment is very much in order. It seems to me that every word the Senator from New York has uttered shows how important the amendment is. He said that if we were to accept the amendment it would so greatly expand the program that the provision of funds would be inadequate. In other words, what the Senator from New York says is that the damage from hurricane, cyclone, and wind is even greater than that from floods.

I ask Senators this question: What can we say to our constituents who are damaged more by tornadoes and cyclones if we vote for a program whereby the Federal Government will subsidize a flood-control insurance program by 40 percent but will refuse equal protection to the victims of disaster caused by tornadoes and cyclones?

I call attention further to the fact that flood damage can be prevented by adequate flood-control projects and programs. But there is no way yet known to man whereby damage and destruction from cyclones and tornadoes can be prevented.

Moreover, Mr. President, in the areas where cyclones and tornadoes occur, the insurance rates are so high that the average person cannot procure insurance coverage to protect him from the loss thereby.

I submit, therefore, that in simple justice the victims of tornadoes and cyclones are equally entitled to the protection provided by the bill for victims of flood damage or destruction.

Mr. NEUBERGER. Mr. President, will the Senator yield?

Mr. KERR. I yield.

Mr. NEUBERGER. Would the distinguished Senator from Oklahoma accept an amendment to his amendment and include in the list of disasters which he proposes to add to the bill, landslides and avalanches?

Mr. KERR. No, but I would support such an amendment.

Mr. NEUBERGER. I did not intend to raise the question on the floor so long as the bill was narrowed to the matter of floods; but in my State of Oregon during the past winter a considerable number of families suffered greatly, and one family, including several small children, was wiped out completely, due to the terrific landslides and avalanches which came off the mountainsides of our State.

It seems to me that if other disasters are added—and the Senator from Oklahoma has made a very persuasive case—then in the States where there are great mountain ranges, such as in Oregon, and where there are very steep hillsides on which people live, insurance against avalanches and landslides should be included.

Mr. KERR. I think the Senator's remarks are meritorious, and I would support an amendment to add that kind of

disaster to the benefits which would be covered under the bill.

I say to the distinguished Senator from North Dakota, who was speaking about drought, that he is entirely right; that when a man is a victim of destruction caused by drought, his disaster is just as deadly as is that caused by floods.

However, the amendment which I have offered is limited to disaster caused by tornadoes, winds, or cyclones.

Mr. CASE of South Dakota. Mr. President, will the Senator yield for a question?

Mr. KERR. I yield for a question.

Mr. CASE of South Dakota. Would the Senator from Oklahoma object to adding fire when caused by lightning?

Mr. KERR. I think I would.

Mr. DOUGLAS. Mr. President, will the Senator yield?

Mr. KERR. I yield.

Mr. DOUGLAS. Would the Senator object to adding earthquakes?

Mr. KERR. I would support an amendment for earthquakes, but I would not want to add disaster by earthquake to the amendment I have offered.

Mr. ERVIN. Mr. President, the distinguished senior Senator from Oklahoma has a very simple answer to his question as to what he should tell his constituents. He should tell his constituents that they can now procure insurance from private insurance companies against the hazards he is concerned about. But the victims of floods cannot procure flood insurance; and large sections of the Nation have been grievously injured by floods. Recently my State suffered damage to the extent of \$3 million as a result of floods caused by hurricanes.

I attended a great many meetings in my State to discuss the problem of flood insurance. Those meetings were attended by representatives of insurance companies and by other persons who were interested. I learned at that time that insurance could then be obtained against tornadoes and wind damage, but that it was impossible to procure insurance anywhere in the United States against flood damage.

It seems to me that the bill should be passed without these crippling amendments, so as to meet a situation where actual need exists.

If the Senate wants to kill the bill it ought to kill it in a forthright manner, not by indirection in these respects.

While I am on the floor, I wish to take the occasion to commend the very strong fight which the distinguished Senator from New York [Mr. LEHMAN] and the distinguished Senator from Connecticut [Mr. BUSH] have made in the Senate on behalf of the bill, which as it has come from the committee is a meritorious bill and ought to be passed for the purpose of affording needed relief in a field where no relief is now available.

Mr. KERR. Mr. President, I want to say just a word. Insurance at reasonable rates is not available to the people in the known path of tornadoes and cyclones, and Senators from States which have been so afflicted in the past are aware of that fact.

I submit it was not the purpose of the Senator from Oklahoma to cripple the

bill, but to strengthen it, and to provide for the victims of one catastrophe of nature equal justice to that given the victims of flood control catastrophe.

The PRESIDING OFFICER (Mr. LAIRD in the chair). The question is on agreeing to the amendment of the Senator from Oklahoma [Mr. KERR].

The amendment was rejected.

The PRESIDING OFFICER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed for a third reading, and read the third time.

The PRESIDING OFFICER. The bill having been read the third time, the question is, Shall it pass? On this question, the yeas and nays have been ordered; and the clerk will call the roll.

The legislative clerk called the roll.

Mr. JOHNSON of Texas. I announce that the Senator from New Mexico [Mr. ANDERSON], the Senator from Nevada [Mr. BIBLE], the Senator from Virginia [Mr. BYRD], the Senator from New Mexico [Mr. CHAVEZ], the Senator from Kentucky [Mr. CLEMENTS], the Senator from Louisiana [Mr. ELLENDER], the Senator from Arkansas [Mr. FULBRIGHT], the Senator from Georgia [Mr. GEORGE], the Senator from Tennessee [Mr. GORE], the Senator from Arizona [Mr. HAYDEN], the Senator from Missouri [Mr. HENNING], the Senator from Tennessee [Mr. KEFAUVER], the Senator from Arkansas [Mr. McCLELLAN], the Senator from West Virginia [Mr. NEELY], the Senator from Wyoming [Mr. O'MAHONEY], and the Senator from Florida [Mr. SMATHERS] are absent on official business.

The Senator from Rhode Island [Mr. PASTORE] is absent on official business attending the atomic-energy tests in the South Pacific.

I further announce that if present and voting, the Senator from New Mexico [Mr. CHAVEZ], the Senator from Kentucky [Mr. CLEMENTS], the Senator from Arkansas [Mr. FULBRIGHT], the Senator from Tennessee [Mr. GORE], the Senator from Arizona [Mr. HAYDEN], the Senator from Missouri [Mr. HENNING], the Senator from Tennessee [Mr. KEFAUVER], the Senator from West Virginia [Mr. NEELY], the Senator from Rhode Island [Mr. PASTORE], and the Senator from Florida [Mr. SMATHERS], would each vote "yea."

Mr. SALTONSTALL. I announce that the Senator from Wyoming [Mr. BARRETT], the Senator from Maryland [Mr. BEALL], the Senator from New Hampshire [Mr. BRIDGES], the Senator from Ohio [Mr. BRICKER], the Senator from Iowa [Mr. HICKENLOOPER] and the Senator from Idaho [Mr. WELKER] are necessarily absent.

The Senator from New York [Mr. IVES] is absent because of illness.

The Senator from Nevada [Mr. MALONE] and the Senator from South Dakota [Mr. MUNDT] are absent on official business.

The Senator from Maryland [Mr. BUTLER] is detained on official business.

If present and voting, the Senator from Maryland [Mr. BEALL], the Senator from Ohio [Mr. BRICKER], the Senator from New York [Mr. IVES], and the

Senator from Nevada [Mr. MALONE] would each vote "yea."

On this vote, the Senator from Idaho [Mr. WELKER] and the Senator from South Dakota [Mr. MUNDT] are paired. If present and voting the Senator from Idaho would vote "yea" and the Senator from South Dakota would vote "nay."

The result was announced—yeas 61, nays 7, as follows:

YEAS—61

Aiken	Holland	Morse
Allott	Hruska	Murray
Bender	Humphrey	Neuberger
Bennett	Jackson	Payne
Bush	Jenner	Potter
Capehart	Johnson, Tex.	Purtell
Carlson	Johnston, S. C.	Saltonstall
Case, N. J.	Kennedy	Schoeppel
Cotton	Knowland	Scott
Curtis	Kuchel	Smith, Maine
Daniel	Laird	Smith, N. J.
Dirksen	Lehman	Sparkman
Douglas	Long	Stennis
Duff	Magnuson	Symington
Dworshak	Mansfield	Thye
Eastland	Martin, Iowa	Watkins
Ervin	Martin, Pa.	Wiley
Flanders	McCarthy	Williams
Goldwater	McNamara	Young
Green	Millikin	
Hill	Monroney	

NAYS—7

Case, S. Dak.	Langer	Wofford
Frear	Robertson	
Kerr	Russell	

NOT VOTING—27

Anderson	Clements	Kefauver
Barrett	Ellender	Malone
Beall	Fulbright	McClellan
Bible	George	Mundt
Bricker	Gore	Neely
Bridges	Hayden	O'Mahoney
Butler	Hennings	Pastore
Byrd	Hickenlooper	Smathers
Chavez	Ives	Welker

So the bill (S. 3732) was passed.

DEPENDENTS' MEDICAL CARE ACT

Mr. JOHNSON of Texas. Mr. President, I move that the Senate proceed to the consideration of Calendar No. 1899, H. R. 9429, a bill to provide medical care for dependents of members of the uniformed services, and for other purposes.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Texas.

The motion was agreed to; and the Senate proceeded to consider the bill, which had been reported from the Committee on Armed Services with an amendment.

LEGISLATIVE PROGRAM

Mr. JOHNSON of Texas. Mr. President, I should like to make a brief announcement. It is planned that following action on the unfinished business the Senate will proceed to the consideration of Calendar No. 1896, S. 3108, a bill to encourage the construction of modern Great Lakes bulk cargo vessels, and Calendar No. 1894, H. R. 483, to amend the Army-Navy-Public Health Service Medical Officer Procurement Act of 1947.

Following the consideration of those bills, it is planned to proceed to the consideration of the Niagara power bill, which is Calendar No. 1428, S. 1823. I hope we shall reach that bill by the middle of the day on Monday.

It is expected that the Senate probably will sit late on Monday and all day Tues-

84TH CONGRESS
2D SESSION

S. 3732

IN THE HOUSE OF REPRESENTATIVES

MAY 14, 1956

Referred to the Committee on Banking and Currency

AN ACT

To provide insurance against flood damage, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Federal Flood Insurance
4 Act of 1956".

5 FINDINGS AND DECLARATION OF PURPOSE

6 SEC. 2. (a) The Congress finds that in the case of
7 recurring natural disasters, including recurring floods, in-
8 surance protection against individual and public loss is not
9 always practically available through private or public
10 sources. With specific reference to insurance against flood
11 loss, the Congress finds that insurance against certain losses

1 resulting from this peril is not so available. Since pre-
2 ventive and protective means and structures against the
3 effects of these disasters can never wholly anticipate the
4 geographic incidence and infinite variety of the destructive
5 aspects of these forces, the Congress finds that the safeguards
6 of insurance are a necessary adjunct of preventive and pro-
7 tective means and structures.

8 Inasmuch as these disasters impede interstate and
9 foreign commerce, hamper national defense, and cause wide-
10 spread distress and hardship adversely affecting the general
11 welfare, without regard to State boundary lines, and in the
12 absence of insurance protection from private or public
13 sources, the Congress ought to provide for such protection in
14 the case of flood, and study the feasibility and need for
15 similar programs in the case of other forms of natural dis-
16 aster against which insurance protection is not generally and
17 practically available in all geographical areas.

18 (b) (1) It is the purpose of this Act to authorize the
19 establishment of a program of Federal insurance and reinsur-
20 ance against the risks of loss resulting from flood as herein-
21 after defined, and to require a study and report on insurance
22 and reinsurance against still other natural disaster perils
23 to the extent that such insurance or reinsurance is not avail-
24 able on reasonable terms and conditions from other public
25 or private sources; and

1 (2) It is the purpose of this Act to encourage private
2 insurance companies to write insurance covering the extent
3 of the risk above the limits prescribed in section 8 (a) and
4 to provide Federal reinsurance to the extent desirable and
5 necessary to carry out this purpose.

6 FEDERAL FLOOD INSURANCE ADMINISTRATION

7 SEC. 3. (a) To carry out the functions authorized by this
8 Act, there is hereby created, as a constituent agency of and
9 within the Housing and Home Finance Agency, an agency
10 to be known as the Federal Flood Insurance Administra-
11 tion (hereinafter referred to as the "Administration"), which
12 shall be headed by a Federal Flood Insurance Commissioner
13 (hereinafter referred to as the "Commissioner") to be ap-
14 pointed by the President, by and with the advice and con-
15 sent of the Senate, who shall be paid at the same basic rate
16 of compensation established for the commissioners of the
17 other constituent agencies or units of the Housing and Home
18 Finance Agency. The operating policies of the Adminis-
19 tration shall be vested in the Commissioner, but the Housing
20 and Home Finance Administrator shall be responsible for
21 the general supervision of the Administration, and for the
22 coordination of the function of the Administration with the
23 functions of other constituent agencies and units of the Hous-
24 ing and Home Finance Agency. In the interest of avoid-
25 ing duplication of facilities, the Housing and Home Finance

1 Administrator shall, notwithstanding any other provision of
2 this Act, provide such administrative services to the Admin-
3 istration as he deems practicable.

4 (b) Section 101 of the Government Corporation Con-
5 trol Act, as amended, is hereby amended by inserting "Fed-
6 eral Flood Insurance Administration;" after "Federal Hous-
7 ing Administration;".

8 (c) In the performance of, and with respect to, the
9 functions, powers, and duties vested in him by this Act,
10 the Commissioner, notwithstanding the provisions of any
11 other law, shall maintain an integral set of accounts which
12 shall be audited annually by the General Accounting Office
13 in accordance with the principles and procedures applicable
14 to commercial transactions as provided by the Government
15 Corporation Control Act, as amended, and no other audit
16 shall be required: *Provided*, That such financial transactions
17 of the Commissioner as the issuing of insurance policies and
18 the making of reinsurance agreements, and vouchers ap-
19 proved by the Commissioner in connection with such financial
20 transactions, shall be final and conclusive upon all officers
21 of the Government.

22 AUTHORITY TO INSURE AND REINSURE

23 SEC. 4. To aid in carrying out the purposes of this Act,
24 the Commissioner is authorized to provide, upon such terms
25 and conditions (including coinsurance requirements) as

1 he may establish, insurance and reinsurance against loss
2 resulting from damage to or destruction of real or personal
3 property (including property owned by any State or local
4 government) due to flood, as hereinafter defined, occurring
5 within the United States: *Provided*, That insurance policies
6 issued under this Act after June 30, 1959, shall be issued
7 only with respect to property in those States which partici-
8 pate as provided in section 5 (a) of this Act.

9 ESTIMATED RATES AND FEES

10 SEC. 5. (a) The Commissioner shall from time to time
11 establish a schedule of "estimated rates" for insurance offered
12 under the provisions of this Act, which would be adequate, in
13 his judgment, to produce sufficient proceeds to pay all claims
14 for probable losses over a reasonable period of years. Such
15 "estimated rates" shall be used as a basis for determining
16 the fees to be paid by the persons insured. They shall be
17 based on consideration of the risks involved and shall be
18 uniform for similar risks within a given classification of
19 property. They shall not include any loading for adminis-
20 trative expenses of the Federal Government under this Act.
21 The Commissioner shall establish a schedule of fees to pro-
22 vide insurance protection at reasonable costs designed to
23 achieve marketability: *Provided*, That no insurance policy
24 shall be issued for a fee less than 60 per centum of such
25 "estimated rate". The Commissioner is authorized to estab-

lish such classifications of fees as he deems necessary to carry out the purposes of this Act based on the use of the property to be insured, the availability of insurance from private sources covering such property, and the ability of the insured to self-insure or reinsure and may establish such differentials in levels of fees for such classifications: *Provided, That* all such fees shall be uniform for similar risks within a given classification of property. The Commissioner shall from time to time pay into the Disaster Insurance Fund, hereinafter created, an amount equal to the difference between the fees charged for insurance policies issued and the amount which would have been charged if the "estimated rates" were applied: *Provided, That* after June 30, 1959, each State shall pay from time to time into the Disaster Insurance Fund, hereinafter created, an amount equal to one-half of the difference between the fees charged for insurance policies issued after such date on property in such State, and the amount which would have been charged if the "estimated rates" were applied.

(b) The Commissioner from time to time shall also negotiate with insurance companies seeking reinsurance for the purpose of establishing fees for reinsurance offered under the provisions of this Act. Such fees shall be based on consideration of the risks involved and shall be adequate, in the judgment of the Commissioner, to produce sufficient pro-

ceeds over a reasonable period of years to pay all claims for losses. The fees shall not include any loading for administrative expenses of the Federal Government under this Act.

PROPERTY AND LOSS LIMITS

SEC. 6. The Commissioner is authorized to provide for the determination of types and location of property with respect to which insurance or reinsurance shall be made available under this Act, the nature and limits of loss or damage in any area (including subdivisions thereof) which may be covered by such insurance or reinsurance, and such other matters as may be necessary to carry out the purposes of this Act.

RISK CLASSIFICATION

SEC. 7. The Commissioner may from time to time issue appropriate regulations regarding the classification, limitation, and rejection of risks assumed by him under authority of this Act.

POLICY AND PROGRAM LIMITS

SEC. 8. (a) The outstanding face amount of insurance issued by the Commissioner under this Act shall not exceed \$250,000 per person: *Provided*, That the face amount of such insurance on any dwelling unit (including any structures and personal property connected therewith) shall not exceed \$10,000.

1 (b) The Commissioner may from time to time issue
2 appropriate regulations regarding insurance coverage avail-
3 able to joint owners and subsidiary and affiliated corporations
4 as he shall deem advisable to effectuate the purposes of this
5 Act.

6 (c) Each insurance policy issued by the Commissioner
7 shall contain a loss-deductible clause relieving him from any
8 liability for paying the first \$100 of a proved and approved
9 claim for loss, plus 5 per centum of the remainder, or such
10 larger amount or percentage as may be specified by the
11 Commissioner upon issuance of the insurance policy, taking
12 into consideration the class of risk involved.

13 (d) The face amount of insurance policies and rein-
14 surance agreements outstanding at any one time under this
15 Act shall not exceed \$3,000,000,000 (which limit may be
16 increased with the approval of the President by further
17 amounts not to exceed \$2,000,000,000 in the aggregate
18 if such increase is deemed advisable to effectuate the pur-
19 poses of this Act) minus the aggregate amount of claims
20 proved and approved under insurance policies and reinsur-
21 ance agreements issued under this Act, but plus fees col-
22 lected hereunder. For the purpose of applying this limita-
23 tion, the face amount of any policy or agreement shall be
24 deemed to be the original amount minus claims proved and
25 approved thereunder.

REINSURANCE REGULATORY AUTHORITY

SEC. 9. (a) The Commissioner is authorized to issue such regulations regarding reinsurance under this Act as he deems advisable in order to carry out the purposes of this Act.

(b) The premium rate and terms and conditions of any policy reinsured under the provisions of this Act shall be subject to approval by the Commissioner.

(c) The Commissioner shall use his best efforts to encourage private insurance companies to undertake the issuance of insurance policies covering that portion of the loss in excess of the limits specified in section 8 (a) of this Act resulting from damage to or destruction of real or personal property due to flood as defined in this Act. The Commissioner may seek to achieve this end by offering a program of appropriate reinsurance within the authority granted him by this Act.

(d) Wherever practicable, the Commissioner may encourage, by offering suitable reinsurance subject to the provisions of this Act, the issuance by private insurance companies of policies insuring against loss resulting from damage to or destruction of real or personal property due to flood.

NONDUPLICATION OF AVAILABLE INSURANCE

SEC. 10. (a) No insurance or reinsurance shall be issued

1 under the provisions of this Act covering risks against which
2 insurance is available on reasonable terms from other public
3 or private sources.

4 (b) No insurance or reinsurance shall be issued under
5 the provisions of this Act on any property declared by a duly
6 constituted State or local zoning authority, or other author-
7 ized public body, to be in violation of State or local flood
8 zoning laws.

9 (c) After June 30, 1958, no insurance or reinsurance
10 shall be issued under the provisions of this Act in any geo-
11 graphical location unless an appropriate public body shall
12 have adopted and shall keep in effect such flood zoning
13 restrictions, if any, as may be deemed necessary by the Com-
14 missioner to reduce, within practicable limits, damages from
15 flood in such location.

16 USE OF OTHER PUBLIC AND PRIVATE FACILITIES

17 SEC. 11. (a) In providing insurance or reinsurance
18 under this Act, the Commissioner shall use to the maximum
19 practicable extent the facilities and services of private organi-
20 zations and persons authorized to engage in the insurance
21 business under the laws of any State (including insurance
22 companies, agents, brokers, and adjustment organizations);
23 and the Commissioner may arrange for payment of reason-
24 able compensation therefor.

25 (b) In providing insurance or reinsurance under this

1 Act, the Commissioner may use the services of other public
2 agencies, and pay reasonable compensation therefor.

3 (c) The Commissioner may supply, receive from and
4 exchange with other agencies of the Federal Government,
5 State, local, and interstate commissions or agencies, and
6 private organizations experienced in the fields of insurance or
7 reinsurance, such information as may be useful in the admin-
8 istration of the programs authorized by this Act.

9 (d) In carrying out the functions authorized in this Act,
10 the Commissioner may consult with other agencies of the
11 Federal Government and interstate, State, and local public
12 agencies having responsibilities for land use and flood con-
13 trol and for flood zoning and flood-damage prevention in
14 order to assure that the insurance and reinsurance programs
15 are consistent with the programs of such agencies. Where
16 the program of the Commissioner may affect existing or
17 proposed flood-control works under the jurisdiction of agen-
18 cies of the Federal Government these agencies shall cooperate
19 with the Commissioner in coordinating their respective pro-
20 grams. The Secretary of Agriculture and the Commissioner
21 shall coordinate the administration of their respective pro-
22 grams relating to flood insurance and reinsurance for agri-
23 cultural commodities.

24 (e) The Administrator may from time to time consult
25 with representatives of the various States to the extent

1 deemed necessary by him to effectuate the purposes of this
2 Act.

3 CLAIMS PAYMENT AND JUDICIAL REVIEW

4 SEC. 12. (a) Under such regulations as the Commis-
5 sioner may prescribe, he shall arrange for prompt adjustment
6 and payment of valid claims for losses covered by insurance
7 or reinsurance under this Act.

8 (b) Upon disallowance of any claim against the Com-
9 missioner under color of any insurance or reinsurance made
10 available under this Act, or upon refusal of the claimant to
11 accept the amount allowed upon any such claim, the claim-
12 ant may institute an action against the Commissioner on
13 such claim in the United States district court in which a
14 major portion (in terms of value) of the insured property
15 is located. Any such action must be begun within one year
16 after the date upon which the claimant receives from the
17 Commissioner written notice of disallowance or partial dis-
18 allowance of the claim. For the purposes of this section,
19 the Commissioner may be sued and he shall appoint one
20 or more agents within the jurisdiction of each United States
21 district court upon whom service of process can be made in
22 any action instituted under this section. Exclusive jurisdic-
23 tion is hereby conferred upon all United States district
24 courts to hear and determine such actions without regard to
25 the amount in controversy.

FUNDS AND TREASURY BORROWINGS

SEC. 13. (a) To carry out the purposes of this Act, the Commissioner is authorized to establish two funds to be known as the (1) Disaster Insurance Fund, and (2) Disaster Reinsurance Fund.

(b) Into the Disaster Insurance Fund shall be deposited all insurance fees collected by the Commissioner for insurance policies issued by him under this Act, and, after June 30, 1959, the contributions made by the respective States in accordance with section 5 (a) of this Act. Into the Disaster Reinsurance Fund shall be deposited all fees collected by the Commissioner in connection with reinsurance made available by him under this Act.

(c) Moneys in each of the funds may be invested in obligations of the United States or in obligations guaranteed as to principal and interest by the United States. Such obligations may be sold and the proceeds derived therefrom may be reinvested as above provided if deemed advisable by the Commissioner. Income from such investment or reinvestment shall be deposited in the respective fund from which the investment was made.

(d) All salvage proceeds realized by the Commissioner in connection with insurance made available under this Act shall be deposited in the Disaster Insurance Fund; and all salvage proceeds realized by the Commissioner in connection

1 with reinsurance made available under this Act shall be
2 deposited in the Disaster Reinsurance Fund.

3 (e) The Commissioner is authorized to issue to the
4 Secretary of the Treasury from time to time and have out-
5 standing at any one time, in an amount not exceeding
6 \$500,000,000 (or such greater amount as may be ap-
7 proved by the President) notes or other obligations in such
8 forms and denominations, bearing such maturities, and sub-
9 ject to such terms and conditions as may be prescribed by
10 the Commissioner, with the approval of the Secretary of
11 the Treasury. Such notes or other obligations shall bear
12 interest at a rate determined by the Secretary of the Treas-
13 ury, taking into consideration the current average rate on
14 outstanding marketable obligations of the United States of
15 comparable maturities as of the last day of the month pre-
16 ceding the issuance of such notes or other obligations. The
17 Secretary of the Treasury is authorized and directed to
18 purchase any notes and other obligations to be issued here-
19 under and for such purpose he is authorized to use as a
20 public debt transaction the proceeds from the sale of any
21 securities issued under the Second Liberty Bond Act, as
22 amended, and the purposes for which securities may be
23 issued under such Act, as amended, are extended to include
24 any purchases of such notes and obligations.

25 The Secretary of the Treasury may at any time sell any

1 of the notes or other obligations acquired by him under this
2 section. All redemptions, purchases, and sales by the Secre-
3 tary of the Treasury of such notes or other obligations shall
4 be treated as public debt transactions of the United States.
5 Funds borrowed under this section shall be deposited, in
6 such proportions as the Commissioner deems advisable, in
7 the Disaster Insurance Fund and the Disaster Reinsurance
8 Fund.

9 (f) Moneys in the Disaster Insurance Fund and the
10 Disaster Reinsurance Fund may be used for the following
11 purposes as deemed necessary by the Commissioner:

12 (1) To pay from the Disaster Insurance Fund proved
13 and approved claims for loss under, and other nonadminis-
14 trative expenses arising in connection with, insurance policies
15 issued by the Commissioner under this Act;

16 (2) To pay from the Disaster Reinsurance Fund proved
17 and approved claims under, and other nonadministrative
18 expenses arising in connection with, reinsurance agreements
19 entered into by the Commissioner under this Act; and

20 (3) To repay to the Secretary of the Treasury sums
21 borrowed from him in accordance with the provisions of sub-
22 section (e) of this section.

23 (g) All administrative expenses of the Federal Govern-
24 ment under this Act shall be paid from funds appropriated
25 by the Federal Government.

ADVISORY COMMITTEE

2 SEC. 14. In carrying out his functions under this Act,
3 the Commissioner shall appoint an advisory committee as
4 authorized by section 601 of the Housing Act of 1949, as
5 amended (68 Stat. 590, 645). Such committee shall con-
6 sist of not less than three nor more than fifteen persons
7 familiar with the problems of insurance or reinsurance, to
8 advise the Commissioner with respect to the formulation of
9 policies and the execution of functions under this Act.

STUDIES

11 SEC. 15. (a) The Commissioner shall undertake a con-
12 tinuing study of the practicability of extending the coverage
13 of insurance programs similar to those authorized under
14 this Act to any one or more natural disaster perils, other
15 than flood, against which, and for the period during which,
16 insurance protection is not generally and practically available
17 in all geographical locations from other public or private
18 sources.

(b) The Commissioner shall also undertake a continuing study of participation by private insurance companies in the programs authorized by this Act, in order that the protection it authorizes can be provided, whenever practicable, through insurance policies issued by private insurance companies and reinsured with the Commissioner, in lieu of providing such

1 protection through insurance policies issued in the name
2 of the Commissioner.

3 (c) The Commissioner shall undertake a continuing
4 study of the feasibility of having private insurance companies
5 take over, with or without some form of Federal financial
6 support, the insurance programs authorized by this Act.

7
8 ADDITIONAL FUNCTIONS

9 SEC. 16. For the purpose of carrying out functions under
10 this Act the Commissioner may—

11 (a) sue or be sued;

12 (b) without regard to sections 3648 and 3709 of
13 the Revised Statutes, as amended (31 U. S. C. 529
14 and 41 U. S. C. 5), and section 322 of the Act of June
15 30, 1932 (47 Stat. 412, as amended (40 U. S. C.
16 278a)), enter into and perform contracts, leases, co-
17 operative agreements, or other transactions, on such
18 terms as he may deem appropriate, with any agency or
19 instrumentality of the United States, or with any State
20 or agency or political subdivision thereof, or with any
21 person, firm, association, or corporation and consent to
22 modification thereof, and make advance or progress pay-
ments in connection therewith;

23 (c) without regard to sections 3648 and 3709 of
24 the Revised Statutes, as amended (31 U. S. C. 529 and

1 41 U. S. C. 5), and section 322 of the Act of June
2 30, 1932 (47 Stat. 412, as amended (40 U. S. C.
3 278a)), by purchase, lease, or donation acquire such
4 real and personal property and any interest therein,
5 make advance or progress payments in connection there-
6 with, and hold, use, maintain, insure against loss, sell,
7 lease, or otherwise dispose of such real and personal
8 property as the Commissioner deems necessary to carry
9 out the purposes of this Act;

10 (d) appoint, pursuant to civil-service laws and reg-
11 ulations, such officers, attorneys, and employees as may
12 be necessary to carry out the purposes of this Act; fix
13 their compensation in accordance with the provisions of
14 the Classification Act of 1949, as amended; define their
15 authority and duties; provide bonds for such of them as
16 he may deem necessary; and delegate to them, and
17 authorize successive redelegations by them, of such of
18 the powers vested in him by this Act as he may deter-
19 mine;

20 (e) conduct researches, surveys, and investigations
21 relating to flood insurance and reinsurance and assemble
22 data for the purpose of establishing estimated rates, fees,
23 and premiums for flood insurance and reinsurance under
24 this Act;

(f) issue such rules and regulations as he deems necessary to carry out the purposes of this Act; and

(g) exercise all powers specifically granted by the provisions of this Act and such incidental powers as are necessary to carry out the purposes of this Act.

RESERVATION OF RIGHTS IN REAL ESTATE ACQUIRED

SEC. 17. The acquisition by the Commissioner of any real property pursuant to this Act shall not deprive any State or political subdivision thereof of its civil or criminal jurisdiction in and over such property or impair the civil rights under the State or local law of the inhabitants on such property.

TAXATION

SEC. 18. Nothing in this Act shall be construed to exempt any real property, acquired and held by the Commissioner in connection with the payment of any claim under this Act, from taxation by any State or political subdivision thereof, to the same extent, according to its value, as other real property is taxed.

ANNUAL REPORT

SEC. 19. The annual report made by the Housing and Home Finance Administrator to the President for submission to the Congress under existing law on all programs provided for under this Act shall contain a comprehensive report concerning (1) the operation of insurance and reinsurance pro-

1 grams authorized under this Act, and (2) the status and
2 result of studies authorized under section 15 of this Act,
3 together with such recommendations, if any, for legislative
4 changes deemed by the Commissioner desirable to improve
5 the operation of programs authorized under this Act. The
6 annual report for the calendar year ending December
7 31, 1958, shall contain a list of the States which
8 can be expected to participate in the insurance pro-
9 gram authorized by this Act after June 30, 1959. The
10 annual report for the calendar year ending December 31,
11 1961, shall contain an express opinion of the Commissioner,
12 supported by pertinent findings, concerning the advisability
13 of withdrawing in whole or in part Federal financial sup-
14 port for insurance policies to be issued at any time after
15 June 30, 1962, offering protection as authorized in this
16 Act, taking into consideration the desirability of offering such
17 protection. Such opinion shall be accompanied by recom-
18 mendations for legislative changes deemed desirable by the
19 Commissioner in the event the opinion is to the effect that
20 any such withdrawal of financial support is advisable.

21 **DEFINITIONS**

22 **SEC. 20.** As used in this Act the term—

23 (a) “Flood” includes any flood, tidal wave, wave wash,
24 or other abnormally high tidal water, deluge, or the water
25 component of any hurricane or other severe storm, land-

1 slide due to excess moisture, and shall have such other
2 meaning as may be prescribed by regulation of the
3 Commissioner.

4 (b) "Person" means an individual or group of indi-
5 viduals, corporation, partnership, association, or any other
6 organized group of persons, including State and local gov-
7 ernments and agencies thereof;

8 (c) "United States", when used in a geographic sense,
9 means the several States, the District of Columbia, the Terri-
10 tories, the possessions, and the Commonwealth of Puerto
11 Rico; and

12 (d) "State" includes the several States, the District of
13 Columbia, the Territories, the possessions, and the Common-
14 wealth of Puerto Rico.

15 SEPARABILITY PROVISION

16 SEC. 21. If any provision of this Act or the application
17 of such provision to any person or circumstances shall be
18 held invalid, the remainder of the Act and the application of
19 such provision to any person or circumstance other than those
20 as to which it is held invalid shall not be affected thereby.

Passed the Senate May 10 (legislative day, May 7),
1956.

Attest:

FELTON M. JOHNSTON,

Secretary.

84TH CONGRESS
2^D SESSION

S. 3732

AN ACT

To provide insurance against flood damage, and
for other purposes.

MAY 14, 1956

Referred to the Committee on Banking and Currency

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(For Department Staff Only)

Issued July 13, 1956
For actions of July 12, 1956
84th-2nd, No. 118

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HIGHLIGHTS: Senate passed bill to amend Bankhead-Jones Farm Tenant Act. Senate passed Intermediate Credit Banks bill. Senate committee reported area assistance bill. Senate agreed to resolution extending study of employee security program. Senate committee ordered reported water rights settlement bill. House passed supplemental appropriation bill. House Rules Committee cleared Public Law 480 authorization increase bill. Rep. Saylor discussed his bill on wilderness preservation. House committees ordered reported point-of-order bill and flood insurance bill.

HOUSE

1. APPROPRIATIONS. Passed with amendments H. R. 12138, the supplemental appropriation bill for 1957, having previously defeated a motion to recommit by a vote of 370 to 24. pp. 11350, 11355 (For items of interest to this Department, see Digests No. 113 and 114.)

The Agriculture Committee ordered reported H. R. 11682, to authorize certain point-of-order items now carried in USDA appropriation bills relative to the control and eradication of certain animal diseases, to facilitate the carrying out of agricultural conservation and related agricultural programs, to facilitate the agricultural attache program, and to facilitate the operations of FHA, FCIC, and FS. p. D788

2. FOREIGN TRADE. The Rules Committee reported a resolution for consideration of H. R. 11708, to amend the Agricultural Trade Development and Assistance Act of 1954, as amended, (Public Law 480, 83rd Congress), so as to increase from \$1,500,000,000 to \$3,000,000,000 the amount for purposes of title I of the Act, to authorize assistance to American-sponsored schools abroad, and to amend the provision against agreements with communist-dominated countries. p. 11397

Passed as reported H. R. 9396, to amend the Tariff Act of 1930, so as to place guar seed on the free list. p. 11398

3. FLOOD INSURANCE. The Banking and Currency Committee ordered reported S. 3732, to provide insurance against flood damage. p. D789
 4. RECLAMATION. Agreed to the conference report on S. 1622, to authorize the Secretary of the Interior to make payment for certain improvements located on public lands in the Rapid Valley unit, S. Dak., of the Missouri River Basin project. p. 11404
 5. NATURAL RESOURCES. Rep. Saylor spoke in support of his bill H. R. 11703, to establish a National Wilderness Preservation system. p. 11413
 6. PERSONNEL. The Foreign Affairs Committee reported with amendment S. 3481, to increase the salaries and provide other benefits for employees in the Foreign Service (H. Rept. 2696). p. 11424
 7. ATOMIC ENERGY. The Joint Committee on Atomic Energy reported the following bills p. 11424
 - H. R. 9743, with amendment, to encourage maximum development of atomic energy reactors for the generation of low-cost electric power, and the production, utilization, and treatment of special nuclear and other materials (H. Rept. 2694).
 - H. R. 12215, without amendment, to amend the Atomic Energy Act of 1954, as amended (H. Rept. 2695).
- SENATE
8. FARM LOANS. Passed with amendments H. R. 11544, to improve and simplify the credit facilities available to farmers, and to amend the Bankhead-Jones Farm Tenant Act. Agreed to an amendment by Sen. Stennis authorizing insurance on loans in amounts not exceeding \$15,000 per farm for the construction, improvement, repair, or replacement of farm dwellings and other buildings on farms the operation of which requires no more than 3 farm families or 3 farm dwellings. Rejected an amendment by Sen. Humphrey to authorize loans at a "reasonable" rate of interest, rather than not exceeding 5% per annum as provided in the bill. Substituted the language of S. 3429, a similar bill, for the text of the House bill. Conferees were appointed. pp. 11322, 11326
 9. FARM CREDIT. Passed with amendments H. R. 10285, to merge production credit corporations in Federal intermediate credit banks, to provide for retirement of Government capital in Federal intermediate credit banks, and to provide for supervision of production credit associations. Agreed to an amendments by Sen. Barrett providing for the gradual transfer over a 3-year period of the capital funds of the banks involved; and by Sen. Holland to continue Government budgetary supervision over the banks until the farmers had actually bought and paid for 15 percent of the capital stock. p. 11318
 10. LIVESTOCK. Sen. Langer inserted a resolution of the N. Dak. Stockmen's Assoc. relating to various aspects of the livestock industry. p. 11238
 11. AREA ASSISTANCE. The Labor and Public Welfare Committee reported with amendments S. 2663, to establish an effective program to alleviate conditions of excessive unemployment in certain economically depressed areas (S. Rept. 2555). p. 11241
 12. EMPLOYEE SECURITY. Agreed to S. Res. 294, extending further the time for a study of the Government employees security program. p. 11257

15. DAIRYING; POSTAL RATES. Sen. Wiley inserted correspondence from the dairy industry opposing increases in postal rates. p. 11800
16. LEGISLATIVE PROGRAM. Sen. Johnson announced that the Hells Canyon dam bill, Mutual Security appropriation bill, and executive pay bill will probably be considered this week; that there will be night sessions this week, and possibly a session on Sat., July 21; and that it is hoped that the business of this session can be concluded some time next week. pp. 11804, 11920

HOUSE

17. THE AGRICULTURE COMMITTEE ordered reported the following bills: p. D819
- S. 2246, to authorize the sale of certain lands to the city of Wells, S. Dak.
- S. 1089, to authorize the Secretary of Agriculture to sell at not less than the appraised value, and under such terms and conditions as he deems appropriate, lands in the national forests which are isolated parcels or narrow projecting strips, when he finds such lands suitable for private ownership and better adapted to commercial, agricultural, residential, or other private purposes than to national forest purposes.
- S. 4058, to extend for 10 years the lease of a tract of research station land to the Chicago, Milwaukee, St. Paul and Pacific Railroad Co.
- S. 2216, to amend the act of March 4, 1915, to permit the use and occupancy of national forest lands for industrial and commercial purposes, and by States or political subdivisions for constructing facilities for education or other public uses.
- H. R. 5275, to authorize FCIC to provide reinsurance on any crop or plantation insurance provided in Puerto Rico by a duly-authorized agency of the Commonwealth of Puerto Rico.
- H. R. 11958, to amend the acreage reserve provisions of the Soil Bank Act to permit inclusion of acreage up to 30 days prior to harvest.
18. MILITARY CONSTRUCTION; SURPLUS COMMODITIES. Passed without amendment H. R. 12270, to authorize certain construction at military installations. The bill authorizes the Secretary of Defense to use for family housing in foreign countries, foreign currencies not to exceed \$250 million acquired pursuant to the provisions of the Agricultural Trade Development and Assistance Act of 1954, or through other commodity transactions of the CCC. p. 11924 (This bill supersedes H. R. 9893, the military construction bill, which was vetoed by the President.)
19. FORESTRY. Received the conference report on H. R. 6376, to provide for the hospitalization and care of the mentally ill in Alaska, including a grant of not to exceed one million acres of public lands (includes lands eliminated from the national forests) (H. Rept. 2735). p. 11934
- Rep. Dixon spoke in support of H. R. 8898, to authorize the purchase of additional lands in the Cache National Forest, Utah. p. 12021
20. ATOMIC ENERGY. Rep. Holifield urged that increased effort be made to develop peaceful uses of atomic energy in the creation of low-cost electric power facilities. p. 12016
- The Rules Committee reported resolutions for the consideration of the following bills: P. 12028

H.R. 9743, to encourage maximum development of atomic energy reactors for the generation of low-cost electric power and the production, utilization, and treatment of special nuclear and other materials.

H.R. 12050, to amend the Atomic Energy Act of 1954, so as to provide Federal reinsurance on certain atomic energy reactors.

21. ELECTRIFICATION. Rep. Johnson, Wis., supported the construction of a Federally owned high dam at Hells Canyon, and inserted a newspaper column relative to this subject. p. 12021

The Interior and Insular Affairs Committee ordered reported S. 3338, regarding rates charged to public bodies and cooperatives for electric power generated at Federal projects. p. D819

22. TRANSPORTATION. Rep. Dixon spoke in support of S. 898, the trip-leasing bill, as being "absolutely essential to the efficient marketing of agricultural commodities." p. 12025

23. FARM LABOR. The Interstate and Foreign Commerce Committee ordered reported S. 3391, to provide for reasonable requirements regarding comfort, safety, etc., of the interstate transportation of migrant farm workers. p. D820

24. LANDS. The Interior and Insular Affairs Committee reported without amendment S. 3458, to grant leave of absence to homestead entrymen and to permit suspension of cultivation and improvement operations on homestead and desert land entries (H. Rept. 2737). p. 12028

The Agriculture Committee reported without amendment S. 2572, to authorize the interchange of lands between this Department and the military departments of the Defense Department (H. Rept. 2747). p. 12028

25. RUBBER. The Armed Services Committee reported without amendment S. 3832, to provide for the disposal of the Government-owned synthetic rubber research laboratories at Akron, O. (H. Rept. 2741). p. 12028

26. PERSONNEL. The Government Operations Committee reported with amendment H.R. 11515, to provide for the payment of travel and transportation costs for persons selected for appointment to certain Federal positions in the U. S. and Alaska (H. Rept. 2742). p. 12028

27. FLOOD INSURANCE. The Banking and Currency Committee reported with amendment S. 3732, to provide insurance against flood damages (H. Rept. 2746). p. 12028 (For a summary of the provisions of this bill as reported in the Senate, see Digest No. 72.)

28. GRAIN STANDARDS. The Agriculture Committee reported without amendment S. 1400, to protect the integrity of grade certificates under the U. S. Grain Standards Act by providing penalties for persons who knowingly sample grain improperly and for persons who knowingly load or otherwise handle grain deceptively for inspection under the Act (H. Rept. 2748). p. 12028

29. BANKING. The Rules Committee reported a resolution for the consideration of H. R. 11261, to extend, until June 30, 1963, the Export-Import Bank Act of 1945. p. 12028.

30. LABOR STANDARDS. The Rules Committee reported a resolution for the consideration of H. R. 11799, to amend the Fair Labor Standards Act of 1938 relative to minimum wages under Federal construction contracts in Samoa, Wake, and Guam Islands. p. 12028

FEDERAL FLOOD INSURANCE ACT OF 1956

JULY 17, 1956.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. SPENCE, from the Committee on Banking and Currency, submitted the following

REPORT

[To accompany S. 3732]

The Committee on Banking and Currency, to whom was referred the bill (S. 3732) to provide insurance against flood damage, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

AMENDMENT

The amendment proposed by the committee strikes out all after the enacting clause and inserts in lieu thereof a substitute text which appears in the reported bill in italic type.

PURPOSE OF BILL

The bill provides for an experimental program to provide insurance and related forms of financial protection against flood losses.

The bill authorizes the Housing and Home Finance Administrator (1) to issue Government insurance policies against property losses due to flood, (2) to reinsure flood loss policies issued by other insurers, and (3) to make contracts with private individuals and business concerns assuring them, in the event of any subsequent flood loss, of a line of credit to assist in restoring or replacing damaged or destroyed property.

COMMITTEE AMENDMENT

The substitute amendment adopted by the committee differs from the bill passed by the Senate in four major respects:

(1) The Administrator would have discretionary authority to offer insurance at special reduced rates to homeowners who could not afford to pay the rates otherwise chargeable under the bill.

(2) The insurance and reinsurance programs authorized by the bill would be supplemented by a loan contract program to provide an assured line of credit to potential flood victims.

(3) The States would not be required to contribute to the insurance reserve fund established under the program.

(4) Responsibility for administering the program would be vested in the Housing and Home Finance Administrator, rather than in an independent Federal flood-insurance commissioner.

GENERAL STATEMENT

Throughout history floods have constituted perhaps the greatest natural disaster to man. Floods continue to strike widespread areas of our country with devastating impact. Notwithstanding the vast amount of losses involved, there nowhere exists in the economy of our country any method by which victims of floods can substantially retrieve their losses. Private insurance companies do not write flood insurance on real property and only to a limited extent is flood loss coverage available on personal property. The private companies feel that the virtual certainty of the loss by flood, its catastrophic nature, and the problems of making this line of insurance self-supporting prevents them from prudently engaging in this field of insurance. Also insurance companies have indicated that they have not entered this line of insurance because a flood disaster of considerable magnitude during the early years of any flood-insurance operation could bankrupt a company before sufficient reserves were accumulated. Accordingly, Government participation is required if the needed protection for property owners is to be made available.

As a result of its extensive studies and hearings, the committee gathered and analyzed sufficient information on flood-insurance problems to enable it to formulate, from the many and varied legislative proposals that were submitted to it, a proposal for a Federal flood-insurance program that the committee hopes will meet the urgent need and at the same time take cognizance of the practical difficulties involved.

The difficulties in the way of formulating a practical program are not to be minimized but the committee was confronted with evidence of an overwhelming need for a program of Federal insurance against the risk of flood damage.

The Federal flood-insurance program recommended by this committee is intended to blaze the trail and establish the actuarial and other experience needed to show, if it can be shown, that flood-risk insurance can be offered by private companies on a commercially feasible basis.

At the same time the committee has recognized the need to control within reasonable limits the financial risk to which the Government will be exposed. This has been done by making this program an experimental one, with strict limits on the amount of insurance that can be written and the amount of coverage any individual, corporation, or Government entity can acquire from the Federal Government.

The damage caused by flood is a national problem calling for national solution. It is not confined to any particular State or group of States. Exactly where flood damage may strike in a given year is a matter of conjecture, but statistics show that flood losses will occur annually

somewhere within the United States. The total annual damages by floods in the United States is estimated by a number of different Government agencies. This information is collected in different ways and serves the separate purposes of those agencies. Among them, the information collected by the Weather Bureau covers the longest period, going back as far as the turn of the century. The Bureau advises that the information since 1925 furnishes a good basis for estimating average annual losses from floods. This information shows that the estimated average annual flood damage during the period from 1925 to 1955, inclusive, amounted to \$240 million. This average includes \$68 million in average losses arising from floods due to tropical storms, including hurricanes, such as occurred along the coast of the Carolinas and Virginia in 1955.

The Weather Bureau estimates reflect wide variation in annual flood damages, including those due to tropical storms. The annual figures range from a low of \$2,810,000 in 1931 to a high of slightly more than \$1 billion in each of the years 1951 and 1955, with an average annual flood damage of \$240 million.

Because of changes in prices over the period covered by the estimates, year-to-year comparisons of flood damages can be more meaningful if the figures are adjusted for changes in costs in terms of constant dollars and changes in the amount of property exposed to flood losses. Moreover, if these constant dollars measure the purchasing power to dollars of some current period, they can be useful in measuring the magnitude of prospective losses. The Weather Bureau estimates have been adjusted by the use of an index presented in a recent publication on floods by Hoyt & Langbein which adjusts for variations in wholesale prices and variations in the amounts of property exposed to loss with 1950-51 as the base. After such adjustment, the average annual damage from floods is estimated to be \$350 million and the range is from a low of less than \$7 million in 1931 to a high of a little over \$1 billion in 1937 and in 1955.

The average annual figure of \$350 million includes losses on types of property such as growing crops, and indirect damages which would not be eligible under the bill. When these 2 major classes of losses are excluded, the \$350 million is reduced to approximately \$165 million. This figure includes a minor amount of losses on some types of property which are not eligible for coverage under the bill.

Flood damage hits particularly hard (1) those homeowners who lose their homes in a flood but still owe the mortgage debt on such homes, and (2) businessmen whose credit is so impaired by flood loss as to discourage them from resuming business operations. Federal disaster grants are not now generally available for individuals as such. Only such Federal loan programs as emergency loans to farmers and stockmen by the Agriculture Department and loans to disaster victims by the Small Business Administration are available to help individual flood victims. The Federal Housing Administration can insure a mortgage up to \$7,000 to help replace a home destroyed by a major disaster; but the beneficiary must show ability to repay the mortgage loan. A man who has just lost the security on a prior mortgage—retaining only the indebtedness—is often unable to make such a showing. Proceeds of Federal crop insurance help reimburse flood loss to crops; but the program is limited to some 800 out of 3,000

agricultural counties, and further limited to certain crops in the 800 counties.

Individual disaster victims must turn to charity for relief, if their own assets or ability to borrow are not sufficient to rehabilitate them. Presently the American National Red Cross grants limited charitable relief to persons on the basis of their need; sometimes to the extent of making gifts of money to rebuild destroyed homes and small businesses.

Mortgage and business debtors work out as best they can their obligations to creditors after a flood. Flood losses show up in Federal income-tax returns as deductions for loss or bad debts, or in a decrease or lack of taxable income.

The Federal Government has long assumed a major share of responsibility for flood control. However, the testimony of the Corps of Engineers indicates that it will take about 22 years at the present rate of appropriations to complete the remaining projects now authorized in the flood-control program. Moreover, Federal law limits flood protective works to structures from which the demonstrable benefits will exceed the cost.

There is a specific precedent for a flood-insurance program in the Federal crop-insurance program. The Congress has already enacted into law several programs incorporating insurance principles or related indemnity principles, involving the payment of fees or charges by those benefiting from the programs. These include (1) aviation war-damage insurance, (2) bank-deposit insurance, (3) Export-Import Bank tangible property insurance, (4) Government employees' insurance, (5) housing mortgage insurance, (6) maritime cargo wartime insurance, (7) maritime vessel mortgage insurance, (8) Mutual Security Act investment guaranty program, (9) old-age and survivors insurance, (10) postal insurance, (11) savings and loan account insurance, (12) unemployment insurance, (13) veterans' life insurance, (14) V-loans guaranteed by Federal Government agencies, and (15) war-damage insurance. From this list it is apparent that the insurance device has already gained wide usage in Federal programs.

The extensive destruction caused by the floods last fall in the east coast and west coast areas of the country prompted the introduction by many Members of Congress of proposals for Government flood-insurance programs. Consideration of such proposals together with one submitted by the administration was made an early order of business by the committee in this session of Congress. Public hearings were held beginning January 23 and continued through February 10. In addition the committee had the benefit of extensive hearings conducted by the Senate Banking and Currency Committee dealing with this problem. Early in its considerations it became apparent to the committee that the key problem in formulating an insurance program in this new field was the question of rates or premium charges. It was apparent that a premium strictly geared to loss expectancy in the higher risk areas would result in charges so high that those who needed the protection most would be unable to afford the premiums required. The committee frankly recognizes that in addition to the Government absorbing the administrative expenses of the program it will also be necessary for the Government to absorb some of the losses if the fees to be charged, particularly in the case of the small home owner, are to be held to reasonable levels. The com-

mittee included a provision in the bill giving discretionary authority to the Administrator to meet the problem of the homeowner in the higher risk areas. As a different approach to the problem of rates the committee also made provision for a loan contract program which would enable a person to establish an assured line of credit against subsequent flood loss. Such a contract undoubtedly can be made available at reasonable rates inasmuch as the Government's ultimate exposure to loss is limited to credit loss on flood-loss loans rather than to the actual flood losses themselves.

DESCRIPTION OF THE BILL

ADMINISTRATION

The Housing and Home Finance Administrator would be responsible for administering all programs under the bill as reported by your committee. To assist him in carrying out these programs, he may appoint a commissioner who would be paid at the same rate as the other commissioners of the Housing and Home Finance Agency.

Your committee believes that this organization is preferable to that provided in the Senate bill, which would have established a semi-independent flood insurance administration within the Housing and Home Finance Agency. The bill as reported by your committee would centralize authority and responsibility in the Administrator and thus provide a single point of contact for the Congress and the Executive with regard to the programs authorized by the bill. This form of organization was strongly recommended by the executive branch and is consistent with the recommendations of both the first and second Commissions on Reorganization of the Executive Branch and with congressional action over the past 10 years with regard to the Housing and Home Finance Agency.

AUTHORITY TO INSURE AND REINSURE

This bill authorizes the Administrator to provide Federal assistance for flood insurance by issuing direct Federal insurance policies or by reinsuring policies issued by other insurers against the peril of flood. Under the provisions of the bill, however, the direct Federal insurance program may contain a limited subsidy factor which is not provided for in connection with the reinsurance program. It is the hope of your committee that private insurance organizations will see fit to enter the field of flood insurance with the aid of a Federal reinsurance program. However, the testimony received by your committee indicates a hesitancy on the part of private insurance companies to enter this field even with the support of Federal reinsurance. Consequently, in order to assure that the desired protection will actually become available, the bill authorizes a program of direct Federal insurance against the peril of flood. Even in this sphere the bill requires the use of private organizations authorized to engage in the insurance business in the marketing of policies and in the adjustment of claims made under such policies. The bill contemplates that reasonable compensation may be paid for such services and facilities.

LOAN CONTRACTS

Perhaps the most perplexing problem in devising a workable flood insurance program is the difficulty of providing insurance in high-risk areas at rates which are not prohibitive. Sections 5 and 6 of the bill as reported by your committee are designed to provide a supplemental program of protection at much lower rates than those which will be charged for direct insurance under the bill.

Basically, this supplemental program will give potential flood victims, for a reasonable fee, the contractual right to borrow money in the event of loss due to flood. A person who purchases this protection and subsequently loses his home or business in a flood will have an assured line of credit to restore his property, and will be given an extended period of time in which to absorb the shock of his initial loss.

This protection will be afforded to private individuals and business concerns through loan contracts with the Administrator. If a person who has purchased such a contract suffers a flood loss, he will be assisted in either of two ways. First, if he is able to obtain a loan elsewhere to repair his loss, the Government will guarantee the lender against loss on the loan. Second, if he is unable to obtain such a loan, the Government will make the loan directly.

The amount of the loan would vary according to the terms of the contract, just as the cash payment varies under the ordinary insurance policy. In no event, however, could it exceed the amount of the loss, minus \$500. In addition, the face amount of the loan contract could not exceed \$250,000 per person, nor exceed \$10,000 for any home, including structures and personal property connected with it. Loans would bear interest at the prevailing rate in the community, but not more than 4 percent per annum on the unpaid principal.

ESTIMATED RATES AND FEES

The Administrator will establish a schedule of estimated rates for insurance offered under this bill. This schedule will be computed on the basis of the risks involved; the estimated rates will be uniform for similar risks within a given class of property; and estimated rates will be fixed at levels that would, in the Administrator's judgment, be adequate, if collected, to produce sufficient proceeds over a reasonable period of years to pay all claims for losses. The schedule of estimated rates is not to include any factor for payment of Federal administrative expenses under this bill; these are to be paid out of directly appropriated funds. Neither is it intended that the schedule of estimated rates will include any factor of profit to be realized from the program.

Once established, this schedule of estimated rates will be used by the Administrator as a ceiling from which to compute a schedule of fees the purchasers of flood-insurance policies under the bill will be required to pay. The testimony received by your committee indicates that a schedule of estimated rates based entirely on actuarial considerations will prove to be too high to serve as an adequate basis for providing flood insurance protection to prospective purchasers. Therefore, the bill provides that the Administrator shall establish a schedule of fees to be paid by purchasers of the insurance designed to provide insurance protection at reasonable costs and to achieve marketability of the insurance policies. Except as explained

below, no insurance policy can be issued for a fee lower than 60 percent of the corresponding estimated rate for insurance provided by that policy.

In effect, this difference between the estimated rate and the fee may be referred to as the subsidy. The Administrator may decrease the percentage of this subsidy by establishing classifications of fees based on (1) the use of the insured property; (2) the availability of insurance for such property from private sources; and (3) the insured's ability to self-insure or reinsure; provided that all fees must be uniform for similar risks within a given classification of property. Under this provision it is possible for the Administrator to grant a greater subsidy for one classification of property, such as homes, than for another classification of property, such as industries. He may also base classifications on the availability of insurance from private sources, as in the field of personal property flood insurance. Finally, he may take into consideration the ability of the prospective insured to self-insure or reciprocally reinsure its flood risks.

Upon the same of insurance policies, the Administrator is to pay into a disaster-insurance fund the amount of the subsidies applicable to such policies.

The fees for reinsurance offered under the provisions of this bill are to be established from time to time by the Administrator through a process of negotiation with insurance companies seeking reinsurance. These fees under the bill will contain no subsidy in the sense in which that term has been used above. The reinsurance fees are to be based on the consideration of the risks involved and are to be adequate, in the Administrator's judgment, to produce sufficient proceeds over a reasonable period of years to pay all claims for losses covered by the reinsurance agreements. The fees are not to include any loading for administrative expenses for the Federal Government under this bill, and need not make any allowance for profit.

No subsidy was provided in the case of reinsurance fees lest the available insurance authorization under the bill be exhausted by use in the reinsurance program, leaving no authorization available to provide for direct Federal insurance in those areas where private companies do not choose to write flood insurance.

REDUCTION OF FEES FOR HOMEOWNERS

Witnesses before the committee during its hearings indicated that no accurate estimates can be made at this time as to the amount of the fees which will be charged under the 60 percent formula specified in the bill. The Deputy Administrator of the Housing and Home Finance Agency gave the committee a very rough estimate, based on an engineering study of two communities located on rivers, that the fee for a \$10,000 policy on residential property in these communities could range between \$69 and \$372 a year. The difficulties of providing insurance at reasonable rates in high-risk areas were emphasized in the following colloquy between the Honorable Brent Spence, chairman of the committee, and the Deputy Administrator:

The CHAIRMAN. But from all the testimony today I gather that in the areas where it is mostly needed, where there have been more recurring floods, the rates will be so high that the average man will not be able to pay them.

Mr. MEISTRELL. I would hope that that did not occur, because, if it did, we are defeating our program. There isn't any sense in undertaking this program, and going through the labor pains, and then putting it up as a program for the people that you and I are interested in helping, and then making it prohibitive in cost so that they are not able to buy it, and I would very strongly hope to achieve an end where we can give some protection, which is more than they are getting or can get today, at as low a price as it would be possible to develop. What that price is required so much study and analysis of data that we have not been able to do it.

There is considerable evidence that, under the 60-percent formula specified in the bill, flood insurance on homes may be prohibitively expensive in the areas of highest risk. If operations under the program demonstrate that this is the case, the Administrator should have discretionary authority to make adjustments in fees so as to avoid a situation such as that pictured by the Deputy Administrator. Accordingly, the committee adopted an amendment giving the Administrator authority in his discretion to establish reduced fees for insurance on any classification of owner-occupied homes if he determines that without such a reduction the owners of these homes as a class could not afford to buy the insurance.

It should be emphasized again that this is an experimental program. No formula can be devised on the basis of information now available which will assure moderate rates for this insurance in all areas. Relatively high fees will have to be charged for high risks under any feasible program. The committee is convinced, however, that without some discretion in the Administrator to make adjustments where needed in the 60-percent formula, the program may prove unworkable in the high-risk areas where insurance is needed the most.

PARTICIPATION BY STATES

As passed by the Senate, the bill provided that after June 30, 1959, each State would be required to pay to the Federal insurance fund half of the difference between the fees charged for policies issued in the State and the estimated rates needed to cover losses on such policies. Your committee voted to eliminate this provision from the bill.

This provision would have excluded many States from the insurance program after June 30, 1959, unless they adopted amendments to their constitutions. It would also have raised serious problems of Federal-State relationships in the administration of the program. Further, it may well have imposed on many State governments a financial burden they are unable to assume.

Experience under the program during the next 3 years may reveal solutions to these difficulties. The Congress may well wish to give further consideration to this matter in the light of that experience. For the present, however, your committee feels that the zoning provisions of section 12 of the bill, explained below, constitute sufficient requirement for State participation in the programs authorized by the bill.

LOAN CONTRACT AND INSURANCE POLICY LIMITATIONS

The face amount of insurance policies issued under the bill cannot exceed \$250,000 per person, and cannot exceed \$10,000 for any dwelling unit, including any structures and personal property connected with it. The same limits are provided for loan contracts. In view of the bill's limitation on the total amount of loan contracts, insurance, and reinsurance which can be written under it, it is necessary to limit the amount of any loan contract and insurance policy that can be purchased by any one person. Your committee reached the conclusion that the limitations specified by the bill provide a fair measure of protection to a large number of persons even if the limitations will not provide complete protection for all persons desiring to purchase insurance or loan contracts under the bill. The bill permits the Administrator to issue appropriate regulations regarding insurance and loan contracts available under the bill to joint owners and to subsidiary and affiliated corporations. Such a provision is necessary for effective enforcement of the \$250,000 per person limit.

PROGRAM LIMITATIONS

The bill provides that exposure of the Government to loss on insurance and reinsurance policies outstanding under this program cannot be more than \$3 billion (or \$5 billion with the approval of the President), plus an amount equal to the fees collected for insurance or reinsurance under the bill. As claims are approved under insurance policies and reinsurance agreements issued under the bill, the amount of such claims will serve to reduce the total authorization above by a corresponding amount. In addition, a limit of \$2 billion is placed on the face amount of loan contracts outstanding at any time; this limit may be increased, with the approval of the President, by \$500 million in any fiscal year.

The face amount of insurance policies issued and reinsurance agreements entered into under this bill should be many times greater than the amount of losses expected to be incurred, just as in other forms of property insurance written by private companies actual losses incurred are only a small fractional amount of the face amount of policies written and in force. Likewise with respect to the loan contract program, the loans made or guaranteed to cover flood losses actually incurred will only be a small fraction of the dollar amount of loan contracts issued and on such loans the only loss of principal the Government will suffer will be that accounted for by credit losses. Over many years the RFC conducted a disaster loan program under which credit losses amounted to slightly less than 7 percent of the loans disbursed.

LOSS DEDUCTIBLE PROVISION

In an effort to reduce "nuisance" claims, keep the cost of administering the program low, and provide the insured an incentive to protect the insured property against flood damage, the bill requires a minimum loss deductible clause in each insurance policy issued by the Administrator that will relieve the Government from any liability for paying the first \$100 of a proved and approved claim of loss, plus 5 percent of the remainder of such claim. The bill further authorizes the

Administrator to increase either the amount or the percent, or both, upon the issuance of an insurance policy, taking into consideration the class of risk involved.

A loss deductible clause in the amount of \$500, is provided in the loan contract program.

NONDUPLICATION OF AVAILABLE INSURANCE

The bill expressly provides that insurance, reinsurance, and loan contracts cannot be issued under the bill covering risks against which insurance is available on reasonable terms from other public or private sources.

The bill requires the Administrator to undertake a continuing study of private insurance company participation in the insurance programs authorized by the bill, in order that flood insurance can be provided by policies issued by private insurance companies with the aid of Federal reinsurance. The bill also requires the Administrator to undertake a continuing study of the feasibility of having private insurance companies take over the insurance programs authorized by the bill, either with or without some form of Federal financial support.

DURATION OF PROGRAM

Although the bill contains no fixed termination date, it requires that the annual report of the Administrator for the year ending December 31, 1961, must contain his opinion, supported by pertinent findings, concerning the advisability of withdrawing, in whole or in part, Federal assistance in the flood-insurance field, keeping in mind the desirability of offering flood-insurance protection. In the event the Administrator's opinion recommends withdrawal of entire or partial Federal financial support for the flood-insurance program, it is to be accompanied by appropriate legislative recommendations. In the light of conditions then existing, the Congress can consider in the public interest the procedures to be adopted for terminating the Federal flood-insurance program. These provisions will assure that at the end of 1961 the Administrator must come to grips with the problem of determining whether it is necessary for the Federal Government to remain in the flood-insurance field either as a direct insurer or as a source of reinsurance.

ZONING

In an effort to minimize the extent of claims for insured losses filed with the Administrator, the bill contains two specific zoning provisions. The first of these prohibits the issuance of insurance, reinsurance, or loan contracts under the bill on any property declared by an appropriate public body to be in violation of State or local flood-zoning laws. The second provides that after June 30, 1958, no insurance, reinsurance, or loan contracts shall be issued under the bill in any geographical location unless an appropriate public body shall have adopted and shall keep in effect such flood-zoning restrictions as the Administrator may deem necessary to reduce, within practicable limits, flood damage within such location.

COORDINATION

The bill contemplates that the Administrator will consult with other Federal, State, and local government agencies having responsibilities in the fields of land use, flood control, flood zoning, and flood-damage prevention in order to assure that the programs carried on under this bill are consistent with the programs of such agencies. The bill directs Federal agencies having jurisdiction over existing or proposed flood-control works to cooperate with the Administrator in coordinating their respective programs wherever the activities of the Administrator may affect such flood-control works. Moreover, the bill instructs the Secretary of Agriculture and the Administrator to coordinate the administration of their respective programs affecting the protection of agricultural commodities against flood damage. Through the Federal Crop Insurance Corporation, the Department of Agriculture presently offers multiple-risk-insurance protection for certain crops in approximately 800 of the 3,000 agricultural counties in the United States. For the most part FCIC insurance protects the crops while they are still in the ground but ceases to cover them when they are removed from the ground. Under the broad authority granted the Administrator under this bill, he would have the power to insure crops against flood damage whether they were located in the ground or had been removed from the ground, save for the provision prohibiting the Administrator from issuing insurance covering risks against which insurance is available upon reasonable terms from other public or private sources. In order to avoid unnecessary duplication in the field of crop insurance, the bill contemplates that the Secretary of Agriculture and the Administrator will coordinate their respective programs affecting this field.

The bill expressly authorizes the Administrator to supply, receive from, and exchange with other Federal, State, and local agencies and private insurance or reinsurance organizations information useful in administering the programs authorized by the bill.

As previously noted, the bill also requires the Administrator to use to the maximum practical extent the facilities and services of private organizations and persons authorized to engage in the insurance business under the laws of any State and to arrange for payment of reasonable compensation for such facilities and services. If the administrative practice followed in the case of the War Damage Corporation is adapted to this program, it will make unnecessary the creation of a vast Federal agency staffed by numerous employees for the purpose of carrying out the program authorized under the bill. Existing organizations skilled in the writing of insurance and in recommending adjustment of claims filed under insurance policies are able, and seem to be willing, to supply their services and facilities to the Federal Government in order to make these programs function efficiently. Representatives of these organizations have indicated to your committee that for the most part the organizations would be willing to supply such facilities and services to the Government on a cost basis.

FINANCING

Administrative expenses incurred under the bill will be paid from direct appropriations made by the Congress. All other funds for operation of the program will be obtained from (1) fees collected from

purchasers of loan contracts and insurance policies and organizations making reinsurance agreements; (2) earnings on the investment and reinvestment of such fees; (3) any salvage proceeds received in the course of operations under the bill; and (4) funds borrowed from the United States Treasury. In the beginning it will presumably be necessary for the Administrator to borrow funds from the United States Treasury in order to pay the subsidy portion of the insurance premiums.

The bill places a top limit of one-half billion dollars on the outstanding amount of money that the Administrator may borrow from the Treasury. However, it permits the President to grant approval to the Administrator's borrowing any greater amount from the United States Treasury.

SCOPE OF PROGRAM

The bill authorizes coverage of real and personal property against loss due to flood as defined in the bill. The term "flood" is broadly defined to include the water component of any severe storm as well as rising waters and abnormally high tidal water, and the Administrator is authorized to assign such other specific meaning to the generic term "flood" as he may prescribe by regulation. Specifically, the bill defines "flood" to include "any flood, tidal wave, wave wash or other abnormally high tidal water, deluge, or the water component of any hurricane or other severe storm, surface landslide due to excess moisture" and such other meaning as the Administrator may prescribe by regulation.

It is in these types of natural perils that the lack of private insurance programs is most notable. This is particularly true in the instance of damage to real property. However, there are many kinds of personal property for which flood insurance is not presently available, despite coverage offered by private insurance companies in such fields as motor vehicles, personal property "floaters," merchandise in transit or on consignment, cargo, tugs, and warehoused goods.

The bill authorizes insurance and loan contract coverage against flood damage for property located in the United States, its Territories, possessions, and the Commonwealth of Puerto Rico.

It will be noted that this bill provides authority for operating insurance, reinsurance, and loan programs only against the peril of flood as defined in the bill. However, the bill directs the Administrator to undertake a continuing study of the practicality of extending insurance and loan contract coverage to any one or more natural disaster perils other than floods, against which insurance protection is not generally or practically available in all geographical locations from other public or private sources. The Administrator is directed to continue these studies for the period during which such insurance protection is not available.

SECTION-BY-SECTION ANALYSIS OF THE BILL, AS REPORTED

SHORT TITLE

The first section gives the bill the short title "Federal Flood Insurance Act of 1956".

FINDINGS AND DECLARATION OF PURPOSE

Section 2 states that flood insurance against property damage is not generally available from public and private sources. The section also presents the need for the following programs: (1) Direct Federal flood insurance, (2) Federal reinsurance of flood-insurance policies issued by other insurers, (3) Federal contracts providing for federally guaranteed loans and direct Federal loans in case of future flood losses, and (4) combinations of flood insurance and flood loans. In addition, section 2 presents the need for a Federal study and report with respect to Federal insurance and reinsurance against other natural disasters.

ADMINISTRATION

Section 3 authorizes the Housing and Home Finance Administrator, in whom all functions under the bill are vested, to appoint a Commissioner to assist him in carrying out the provisions of the bill. The Government Corporation Control Act is made applicable to the functions vested by the bill in the Administrator to the same extent as such act is applicable to wholly owned Government corporations. Section 3 also requires the Administrator to maintain an integral set of accounts to be audited annually by the General Accounting Office in accordance with principles and procedures applicable to commercial transactions as provided by the Government Corporation Control Act. However, the financial transactions of the Administrator—such as the issuing of insurance policies, the making of reinsurance agreements, and the making and guaranteeing of loans, and approval of vouchers connected therewith—is final and conclusive on all Government officers.

AUTHORITY TO INSURE AND REINSURE

Section 4 provides the basic authority for the Administrator to provide insurance and reinsurance against loss resulting from damage to or destruction of real or personal property due to flood occurring within the United States, its Territories and possessions, and the Commonwealth of Puerto Rico. The property covered may be owned privately or by a State or local government and agencies thereof. The Administrator is authorized to prescribe the terms and conditions of coverage (including coinsurance requirements).

LOAN CONTRACTS

Section 5 provides for additional form of protection against flood loss by means of a program of federally guaranteed and Federal direct loan contracts designed to provide a line of credit to finance any subsequent flood losses of parties covered thereby.

Section 5 (a) authorizes the Administrator to enter into contracts with individuals, corporations, and other parties under which the Administrator will agree to guarantee any public or private financing institution against loss of principal of and interest on any loan which such institution may make to any party covered by any such contract to finance his subsequent loss resulting from damage to or destruction of his real and personal property due to flood occurring within the United States, its Territories, and possessions, and the Commonwealth of Puerto Rico. The contract also will provide that, to the

extent that such loan is not available from any such institution on reasonable terms, the Administrator will make a direct Federal loan to such party. The amount of such direct loan will be provided for in the loan contract entered into by such party with the Administrator but such amount cannot exceed the difference between the amount of the flood loss and the amount of the loan reasonably available from the financing institution.

Moreover, the amount of any federally guaranteed loan and of any Federal direct loan cannot exceed the amount of the flood loss less the deductible amount of \$500 which is imposed by section 5(f) with respect to all such loans. Section 5(a) authorizes the Administrator to make this contract protection available to any "person," as defined in section 22(b), except State and local governments and agencies thereof. The Administrator may prescribe by regulation the contract terms and conditions and the monetary consideration to be paid by the person covered by the contract. This monetary consideration is to be in the lowest practicable amount, as the Administrator may determine in the light of the provisions and purposes of the bill.

Section 5(b) authorizes the Administrator to determine and fix the interest rate on each Federally guaranteed loan and each Federal direct loan at the rate prevailing in the area where the money loaned is to be used. However, such rate is not to exceed 4 percent a year on the unpaid principal balance of the loan.

Section 5 (c) authorizes the Administrator to designate Federal Reserve banks to act for him as fiscal agents of the United States in guaranteeing loans and in taking other action in connection with such guaranties. Funds necessary to enable each such bank to carry out any guaranty are to be supplied and disbursed from the disaster loan fund by or under authority of the Administrator. Each bank will be responsible and accountable only as agent in taking action in connection with guaranties. The Administrator is required to reimburse each bank from appropriated Federal funds for its expenses incurred in acting for him as agent. These expenses may include attorneys' fees and litigation costs.

Section 5 (d) provides that the actions and operations of the Federal Reserve banks under section 5 (c) shall be subject to the supervision of the Administrator and his regulations. Section 5 (d) also authorizes the Administrator to prescribe the duration of and incidental charges for loans guaranteed under section 5 (c) and to prescribe regulations covering the forms and procedures to be used in connection with these guaranties.

Section 5 (c) provides that, to the maximum extent practicable, any Federal direct or federally guaranteed loan shall be made on a long-term basis in accordance with regulations prescribed by the Administrator if requested by the person obtaining the loan.

Section 5 (f) establishes a deductibility feature with respect to federally guaranteed and Federal direct loans by providing that such loans shall be made only with respect to amounts exceeding the first \$500 of the amount of the flood loss.

Section 5 (g) places a limit on the potential Federal liability under all loan contracts outstanding under authority of section 5 by providing that the face amount of all such contracts outstanding at any one time shall not exceed \$2 billion. This amount may be increased by the Administrator by not to exceed \$500 million in any 1 fiscal year, if the President grants his advance approval of any such action.

Section 5 (h) makes other pertinent provisions of the bill applicable to the loan-contract program provided by section 5.

COMBINATION OF INSURANCE AND LOANS

Section 6 authorizes the Administrator to establish a program combining insurance and loan contracts in order to provide the broadest practicable protection against flood loss.

ESTIMATED RATES AND FEES

Section 7 (a) sets forth the method of computing the fee to be paid by the insured for the insurance protection authorized by the bill. The Administrator is required to compute a schedule of estimated rates for Federal insurance which, if collected, would be sufficient to produce sufficient proceeds to pay all claims for probable flood losses over a reasonable period of years. The estimated rates do not include any amount for profit or for administrative expenses of the program; but must be based on the consideration of the risks involved and must be based on the consideration of the risks involved and must be uniform for similar risks within a given property classification. These estimated rates are to be used as a basis for determining the fees to be paid by insured parties. However, section 7 (a) does not require the Administrator to collect the full amount of these estimated rates from the insured. He may establish a lower schedule of fees to be paid by the insured. This lower schedule of fees is to represent a reasonable cost for protection and is to be designed to achieve marketability of the policies. The fees are to be uniform for similar risks within a given classification of property. No fee may be fixed at less than 60 percent of the estimated rate, except that further reduced fees may be established for insurance on any classification of owner-occupied dwelling units if the Administrator determines that the owners of such dwelling units as a class otherwise could not afford to pay the fees chargeable for such insurance. The Administrator may classify fees according to property use, the degree of availability of insurance from private sources, and the ability of the prospective insured to self-insure or reinsure. The Administrator is required to pay into the disaster insurance fund, from time to time, an amount equal to the difference between the fees charged and the estimated rates. Payment of this amount represents, in effect, a Government insurance subsidy.

Section 7 (b) authorizes the Administrator to negotiate fees for reinsurance offered under the bill. These reinsurance fees are to be sufficient over a reasonable period of years to pay all claims for losses under reinsurance agreements. These fees do not include any amount for administrative expenses and need not include any amount for profit. However, no express subsidy provision similar to that provided in section 7 (a) is contained in section 7 (b).

PROPERTY AND LOSS LIMITS

Section 8 authorizes the Administrator to provide for the determination of the types and location of property which may be covered by insurance and reinsurance, the nature and limits of loss or damage in any area and subdivisions thereof, and other necessary matters.

The authority contained in section 8 is also made expressly applicable, by reason of section 5 (h), with respect to federally guaranteed and direct Federal loans under the loan-contract program, to the same extent as if the provisions of section 8 contained direct reference to such loans and loan program.

RISK CLASSIFICATION

Section 9 authorizes the Administrator to issue appropriate regulations relating to the classification, limitation, and rejection of risks assumed by him under authority of the bill. The authority to issue appropriate regulations contained in this section includes, by reason of section 5 (h), the authority to issue regulations with respect to the classification, limitation, and rejection of risks under the loan-contract program.

POLICY AND PROGRAM LIMITS

Section 10 (a) limits to \$250,000 the face amount of insurance outstanding at any one time with respect to any person but provides that the face amount of such insurance outstanding at any one time on any dwelling unit, including structures and personal property connected therewith, shall not exceed \$10,000. By reason of section 5 (h), such limitations of \$250,000 and \$10,000 are also applicable, with respect to outstanding face amounts of loan contracts under section 5 to the same extent as if section 10 (a) contained direct reference to such loan contract program. These limitations are to be applied separately to the insurance and loan-contract programs.

Section 10 (b) authorizes the Administrator to issue appropriate regulations with respect to insurance coverage available to joint owners and subsidiary and affiliated corporations. Section 5 (h) authorizes the Administrator to issue similar regulations under the loan-contract program.

Section 10 (c) requires a loss deductible clause in each insurance policy issued by the Administrator providing that the insured must bear, as a minimum, the burden of the first \$100 of any approved claim plus 5 percent of the remainder of the claim. A larger amount or percentage may be specified by the Administrator when the policy is issued, in the light of the class of risk involved.

Section 10 (d) places a limit, comparable to the limit provided by section 5 (g) with respect to loan contracts, on the potential Federal liability under insurance policies and reinsurance agreements under the bill. Section 10 (d) provides that the face amount of insurance policies and reinsurance agreements outstanding at any one time under the bill shall not exceed \$3 billion. This limit may be increased with the advance approval of the President by additional amounts not to exceed \$2 billion in the aggregate. However, the limit in effect under this section is reduced by the aggregate amount of claims proved and approved under insurance policies and reinsurance agreements issued under the bill. Fees collected are added to such limit. Section 10 (d) expressly provides that, for the purpose of applying the limit, the face amount of an insurance policy or reinsurance agreement shall be deemed to be the original amount minus claims proved and approved thereunder.

REINSURANCE REGULATORY AUTHORITY

Section 11 relates to reinsurance.

Subsection (a) authorizes the Administrator to issue appropriate regulations pertaining to reinsurance.

Subsection (b) provides that the premium rate and the terms and conditions of any policy reinsured under the bill shall be subject to the approval of the Administrator.

Subsection (c) authorizes the Administrator to encourage private insurance companies to issue flood-insurance policies covering that portion of the loss in excess of the limits authorized under Federal Government insurance policies by section 10 (a) of the bill.

Subsection (d) permits the Administrator to encourage the issuance of flood-insurance policies by private insurance companies by offering a suitable Government reinsurance program.

NONDUPLICATION OF AVAILABLE INSURANCE

Section 12 places limitations on the issuance of flood insurance and reinsurance and the making of loan contracts.

Subsection (a) specifically prohibits the issuing of insurance, reinsurance, and loan contracts covering risks against which insurance is reasonably available from other public and private sources.

Subsection (b) prohibits the issuance of insurance and reinsurance on any property declared by an appropriate public body to be in violation of State or local flood-zoning laws.

Subsection (c) provides that, after June 30, 1958, no insurance or reinsurance can be issued under the bill in any geographical location unless the appropriate public body shall have in force such flood-zoning restrictions as are deemed necessary by the Administrator to reduce flood damage, within practicable limits, in such location.

Subsections (b) and (c) also are made applicable, by reason of section 5 (h), with respect to the making of loan contracts.

USE OF OTHER PUBLIC AND PRIVATE FACILITIES

Section 13 (a) requires the Administrator, in carrying out the programs authorized by the bill, to use the facilities and services, to the maximum extent practicable, of private organizations and persons authorized to engage in the insurance business. The Administrator is permitted also to pay reasonable compensation for such use of facilities and services.

Section 13 (b) permits the Administrator to use the services of other public agencies, and pay reasonable compensation for such services, in carrying out the programs authorized by the bill.

Section 13 (c) permits the Administrator to supply, receive from, and exchange with other public agencies and private insurance organizations pertinent information in connection with the programs authorized by the bill.

Section 13 (d) authorizes the Administrator to consult with other Federal, State, and local public agencies to coordinate the programs authorized by the bill with flood-control and flood-zoning programs. Federal agencies controlling flood-control works are required to cooperate with the Administrator. Section 13 (d) further requires

the Secretary of Agriculture and the Administrator to coordinate their respective programs as such programs apply to farm commodities;

By reason of section 5 (h), the provisions of section 13 apply to loan contracts under section 5 to the same extent as if section 13 made direct reference thereto.

CLAIMS PAYMENT AND JUDICIAL REVIEW

Section 14 (a) directs the Administrator to arrange for prompt adjustment and payment of valid claims for losses covered by insurance and reinsurance, and for the amounts of his loan obligations, under the bill.

Section 14 (b) grants a dissatisfied claimant recourse to the United States district courts (including the district court for the District of Alaska, the district court for the Virgin Islands, and the District Court of Guam). Such claimant may begin suit against the Administrator, within 1 year after the date of his receipt of written notice of disallowance (in whole or in part) of a claim, in the United States district court in which a major part (in terms of value) of the covered property is located.

The provisions of section 5 (h) make the provisions of section 14 applicable with respect to the loan-contract program.

FUNDS AND TREASURY BORROWINGS

Section 15 (a) authorizes the Administrator to establish a disaster insurance fund, a disaster reinsurance fund, and a disaster loan fund.

Section 15 (b) provides that deposits of amounts collected by the Administrator be made into these funds as follows: insurance fees into the disaster insurance fund, reinsurance fees into the disaster reinsurance fund, and amounts accruing to the United States from loan transactions into the disaster loan fund.

Section 15 (c) authorizes the investment and reinvestment of fund moneys in United States obligations and the deposit of income from such investment or reinvestment into the fund from which the investment or reinvestment was made.

Section 15 (d) requires that salvage proceeds realized by the Administrator in connection with insurance and reinsurance be deposited in the disaster insurance fund and the disaster reinsurance fund, respectively.

Section 15 (e) permits the Administrator to borrow from the United States up to \$500 million outstanding at any one time (or more if approved by the President). Funds borrowed are to be deposited in the disaster insurance fund, the disaster reinsurance fund, and the disaster loan fund in proportions deemed advisable by the Administrator.

Section 15 (f) permits the use of the moneys in the respective funds to pay approved claims for losses in connection with insurance and reinsurance, amounts of direct loans and amounts in payment of guaranties, and amounts of nonadministrative expenses, and to repay (with interest) amounts borrowed from the United States.

Section 15 (g) requires that all administrative expenses of the Federal Government under the insurance, reinsurance, and loan-contract programs provided for by the bill be paid out of appropriations made by Congress for that purpose. Administrative expenses

will include amounts paid to private insurance agents and others who perform services under contract in connection with the insurance, reinsurance, and loan-contract programs. A specific provision is contained in section 5 (c) with respect to reimbursement, out of appropriated funds, of expenses of Federal Reserve banks serving as fiscal agents of the United States under the loan-contract program.

ADVISORY COMMITTEE

Section 16 requires the Administrator to appoint an advisory committee composed of from 3 to 15 individuals familiar with insurance and reinsurance problems. The committee will advise the Administrator with respect to formulation of policies and execution of functions under the insurance and reinsurance programs. Section 16 does not apply with respect to the loan-contract program.

STUDIES

Section 17 (a) directs the Administrator to undertake a continuing study of the feasibility of extending insurance coverage to types of natural disasters other than floods if and while public or private insurance is not generally and practically available against such perils in all geographical locations to which the bill applies. Section 5 (h) has the effect of requiring that this study also cover the feasibility of extending the coverage of the loan-contract program to the same extent.

Section 17 (b) requires a study of private insurance company participation in order to encourage flood-insurance coverage by private insurers with the aid of Federal reinsurance.

Section 17 (c) requires a study of the feasibility of having private insurance companies take over the insurance programs authorized by the bill, either with or without Federal aid.

Sections 17 (b) and (c) do not apply with respect to the loan-contract program.

ADDITIONAL FUNCTIONS

Section 18 grants the Administrator powers necessary to permit him to carry out his functions under the bill. These powers, similar to those usually possessed by Government corporations, include powers to sue and be sued, make contracts, acquire property, hire employees in accordance with the Classification Act of 1949, conduct researches and surveys, issue rules and regulations, and exercise other powers to carry out the purposes of the bill.

RESERVATION OF RIGHTS IN REAL ESTATE ACQUIRED

Section 19 provides that the acquisition of real property by the Administrator pursuant to any provision of the bill shall not deprive any State or political subdivision of its civil or criminal jurisdiction over such property. Section 19 further provides that such acquisition shall not impair the civil rights under State or local law of the inhabitants on such property.

TAXATION

Section 20 provides that the provisions of the bill shall not be construed to exempt real property from ad valorem local taxation merely because the property is acquired by the Administrator in connection with any claims payment under the bill.

ANNUAL REPORT

Section 21 requires that the annual report of the Administrator shall cover comprehensively the operation of the insurance, reinsurance, and loan-contract programs and the status and result of the studies authorized under section 17. The section also requires that the report shall contain such recommendations for legislative changes as the Administrator deems desirable to improve the operation of the insurance, reinsurance, and loan-contract programs. The Administrator shall set forth in the annual report for the calendar year 1961 his opinion and findings as to the advisability of withdrawing Federal financial aid for insurance policies to be issued after June 30, 1962. If his opinion is that withdrawal of such financial aid is advisable, such opinion is to be accompanied by recommendations for necessary legislation.

DEFINITIONS

Section 22 provides definitions of terms which are applicable when used in connection with the provisions and programs of the bill.

Section 22 (a) defines "flood" to include any flood, tidal wave, wave wash, or other abnormally high water, deluge, or the water component of any hurricane or other severe storm, surface landslide due to excess moisture, and such other meaning as the Administrator may prescribe by regulation. The definition includes only "surface" landslide due to excess moisture and does not include landslide due to subsidence or settling of land following mining and other subterranean operations. However, this definition of "flood" includes the concentration, overflow, or backing up, in cities, towns, and other places served by subterranean sewers, drains, and conduits, of large quantities of water which originate from or are caused by a flood, as above defined, and which are beyond the capacity of such sewers, drains, and conduits.

Section 22 (b) defines "person" to mean an individual or group of individuals, corporation, partnership, association, or any other organized group of persons, including State and local governments and agencies thereof.

Section 22 (c) defines "United States," whenever the term is used in a geographic sense, to mean all the States, the District of Columbia, the Territories, the possessions, and the Commonwealth of Puerto Rico.

Section 22 (d) defines "State" to include each State, the District of Columbia, the Territories, the possessions, and the Commonwealth of Puerto Rico.

Section 22 (e) defines "Administrator" to mean the Housing and Home Finance Administrator.

SEPARABILITY PROVISION

Section 23 provides a separability provision intended to protect the entire bill from invalidity in the event that part of the bill is held invalid.

CHANGES IN EXISTING LAW

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as passed by the Senate, are shown as follows (new matter is printed in *italics*, existing law in which no change is proposed is shown in *roman*):

SECTION 101 OF THE GOVERNMENT CORPORATION CONTROL ACT, AS AMENDED

TITLE I--WHOLLY OWNED GOVERNMENT CORPORATIONS

SEC. 101. As used in this Act the term "wholly owned Government corporation" means the Commodity Credit Corporation; Federal Intermediate Credit Banks; Production Credit Corporations; Regional Agricultural Credit Corporations; Farmers Home Corporation; Federal Crop Insurance Corporation; Federal Farm Mortgage Corporation; Federal Surplus Commodities Corporation; Reconstruction Finance Corporation; Defense Plant Corporation; Defense Supplies Corporation; Metals Reserve Company; Rubber Reserve Company; War Damage Corporation; Federal National Mortgage Association; the RFC Mortgage Company; Disaster Loan Corporation; Inland Waterways Corporation; Warrior River Terminal Company; Virgin Islands Corporation; Federal Prison Industries, Incorporated; United States Spruce Production Corporation; Institute of Inter-American Affairs; Institute of Inter-American Transportation; Inter-American Educational Foundation, Incorporated; Inter-American Navigation Corporation; Prencinradio, Incorporated; Cargoes, Incorporated; Export-Import Bank of Washington; Petroleum Reserves Corporation; Rubber Development Corporation; U. S. Commercial Company; Smaller War Plants Corporation; Federal Public Housing Authority (or United States Housing Authority) and including public housing projects financed from appropriated funds and operations thereof; Defense Homes Corporation; Federal Savings and Loan Insurance Corporation; Home Owners' Loan Corporation; United States Housing Corporation; Federal Housing Administration; *Federal Flood Insurance Administration*; Saint Lawrence Seaway Development Corporation; Panama Canal Company; Tennessee Valley Authority; and Tennessee Valley Associated Cooperatives, Incorporated.



Union Calendar No. 1118

84TH CONGRESS
2D SESSION

S. 3732

[Report No. 2746]

IN THE HOUSE OF REPRESENTATIVES

MAY 14, 1956

Referred to the Committee on Banking and Currency

JULY 17, 1956

Reported with an amendment, committed to the Committee of the Whole House
on the State of the Union, and ordered to be printed

*Strike out all after the enacting clause and insert the part printed in italic]

AN ACT

To provide insurance against flood damage, and for other
purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the “Federal Flood Insurance
4 Act of 1956”.

5 FINDINGS AND DECLARATION OF PURPOSE

6 SEC. 2. (a) The Congress finds that in the case of
7 recurring natural disasters, including recurring floods, in-
8 surance protection against individual and public loss is not
9 always practically available through private or public

1 sources. With specific reference to insurance against flood
2 loss, the Congress finds that insurance against certain losses
3 resulting from this peril is not so available. Since pre-
4 ventive and protective means and structures against the
5 effects of these disasters can never wholly anticipate the
6 geographic incidence and infinite variety of the destructive
7 aspects of these forces, the Congress finds that the safeguards
8 of insurance are a necessary adjunct of preventive and pro-
9 tective means and structures.

10 Inasmuch as these disasters impede interstate and
11 foreign commerce, hamper national defense, and cause wide-
12 spread distress and hardship adversely affecting the general
13 welfare, without regard to State boundary lines, and in the
14 absence of insurance protection from private or public
15 sources, the Congress ought to provide for such protection in
16 the case of flood, and study the feasibility and need for
17 similar programs in the case of other forms of natural dis-
18 aster against which insurance protection is not generally and
19 practically available in all geographical areas.

20 (b) (1) It is the purpose of this Act to authorize the
21 establishment of a program of Federal insurance and reinsur-
22 ance against the risks of loss resulting from flood as herein-
23 after defined, and to require a study and report on insurance
24 and reinsurance against still other natural disaster perils
25 to the extent that such insurance or reinsurance is not avail-

1 able on reasonable terms and conditions from other public
2 or private sources; and

3 ~~(2)~~ It is the purpose of this Act to encourage private
4 insurance companies to write insurance covering the extent
5 of the risk above the limits prescribed in section 8 ~~(a)~~ and
6 to provide Federal reinsurance to the extent desirable and
7 necessary to carry out this purpose.

8 FEDERAL FLOOD INSURANCE ADMINISTRATION

9 SEC. 3. ~~(a)~~ To carry out the functions authorized by this
10 Act, there is hereby created, as a constituent agency of and
11 within the Housing and Home Finance Agency, an agency
12 to be known as the Federal Flood Insurance Administra-
13 tion (hereinafter referred to as the "Administration"), which
14 shall be headed by a Federal Flood Insurance Commissioner
15 (hereinafter referred to as the "Commissioner") to be ap-
16 pointed by the President, by and with the advice and con-
17 sent of the Senate, who shall be paid at the same basic rate
18 of compensation established for the commissioners of the
19 other constituent agencies or units of the Housing and Home
20 Finance Agency. The operating policies of the Adminis-
21 tration shall be vested in the Commissioner, but the Housing
22 and Home Finance Administrator shall be responsible for
23 the general supervision of the Administration, and for the
24 coordination of the function of the Administration with the
25 functions of other constituent agencies and units of the Hous-

1 ing and Home Finance Agency. In the interest of avoid-
2 ing duplication of facilities, the Housing and Home Finance
3 Administrator shall, notwithstanding any other provision of
4 this Act, provide such administrative services to the Admin-
5 istration as he deems practicable.

6 (b) Section 104 of the Government Corporation Con-
7 trol Act, as amended, is hereby amended by inserting "Fed-
8 eral Flood Insurance Administration;" after "Federal Hous-
9 ing Administration;".

10 (c) In the performance of, and with respect to, the
11 functions, powers, and duties vested in him by this Act,
12 the Commissioner, notwithstanding the provisions of any
13 other law, shall maintain an integral set of accounts which
14 shall be audited annually by the General Accounting Office
15 in accordance with the principles and procedures applicable
16 to commercial transactions as provided by the Government
17 Corporation Control Act, as amended, and no other audit
18 shall be required: *Provided*, That such financial transactions
19 of the Commissioner as the issuing of insurance policies and
20 the making of reinsurance agreements, and vouchers ap-
21 proved by the Commissioner in connection with such financial
22 transactions, shall be final and conclusive upon all officers
23 of the Government.

AUTHORITY TO INSURE AND REINSURE

SEC. 4. To aid in carrying out the purposes of this Act, the Commissioner is authorized to provide, upon such terms and conditions (including coinsurance requirements) as he may establish, insurance and reinsurance against loss resulting from damage to or destruction of real or personal property (including property owned by any State or local government) due to flood, as hereinafter defined, occurring within the United States: *Provided*, That insurance policies issued under this Act after June 30, 1959, shall be issued only with respect to property in those States which participate as provided in section 5 (a) of this Act.

ESTIMATED RATES AND FEES

SEC. 5. (a) The Commissioner shall from time to time establish a schedule of "estimated rates" for insurance offered under the provisions of this Act, which would be adequate, in his judgment, to produce sufficient proceeds to pay all claims for probable losses over a reasonable period of years. Such "estimated rates" shall be used as a basis for determining the fees to be paid by the persons insured. They shall be based on consideration of the risks involved and shall be uniform for similar risks within a given classification of

1 property. They shall not include any loading for adminis-
2 trative expenses of the Federal Government under this Act.
3 The Commissioner shall establish a schedule of fees to pro-
4 vide insurance protection at reasonable costs designed to
5 achieve marketability: *Provided*, That no insurance policy
6 shall be issued for a fee less than 60 per centum of such
7 "estimated rate". The Commissioner is authorized to estab-
8 lish such classifications of fees as he deems necessary to carry
9 out the purposes of this Act based on the use of the property
10 to be insured, the availability of insurance from private
11 sources covering such property, and the ability of the in-
12 sured to self-insure or reinsure and may establish such differ-
13 entials in levels of fees for such classifications: *Provided*, That
14 all such fees shall be uniform for similar risks within a given
15 classification of property. The Commissioner shall from time
16 to time pay into the Disaster Insurance Fund, hereinafter
17 created, an amount equal to the difference between the fees
18 charged for insurance policies issued and the amount which
19 would have been charged if the "estimated rates" were
20 applied: *Provided*, That after June 30, 1959, each State
21 shall pay from time to time into the Disaster Insurance
22 Fund, hereinafter created, an amount equal to one-half of
23 the difference between the fees charged for insurance policies
24 issued after such date on property in such State, and the

1 amount which would have been charged if the "estimated
2 rates" were applied.

3 (b) The Commissioner from time to time shall also
4 negotiate with insurance companies seeking reinsurance for
5 the purpose of establishing fees for reinsurance offered under
6 the provisions of this Act. Such fees shall be based on con-
7 sideration of the risks involved and shall be adequate, in the
8 judgment of the Commissioner, to produce sufficient pro-
9 ceeds over a reasonable period of years to pay all claims for
10 losses. The fees shall not include any loading for admin-
11 istrative expenses of the Federal Government under this
12 Act.

13 PROPERTY AND LOSS LIMITS

14 SEC 6. The Commissioner is authorized to provide for
15 the determination of types and location of property with
16 respect to which insurance or reinsurance shall be made
17 available under this Act, the nature and limits of loss or
18 damage in any area (including subdivisions thereof) which
19 may be covered by such insurance or reinsurance, and such
20 other matters as may be necessary to carry out the purposes
21 of this Act.

22 RISK CLASSIFICATION

23 SEC 7. The Commissioner may from time to time issue
24 appropriate regulations regarding the classification, limita-

tion, and rejection of risks assumed by him under authority of this Act.

POLICY AND PROGRAM LIMITS

SEC. 8. (a) The outstanding face amount of insurance issued by the Commissioner under this Act shall not exceed \$250,000 per person: *Provided*, That the face amount of such insurance on any dwelling unit (including any structures and personal property connected therewith) shall not exceed \$10,000.

(b) The Commissioner may from time to time issue appropriate regulations regarding insurance coverage available to joint owners and subsidiary and affiliated corporations as he shall deem advisable to effectuate the purposes of this Act.

(c) Each insurance policy issued by the Commissioner shall contain a loss-deductible clause relieving him from any liability for paying the first \$100 of a proved and approved claim for loss, plus 5 per centum of the remainder, or such larger amount or percentage as may be specified by the Commissioner upon issuance of the insurance policy, taking into consideration the class of risk involved.

(d) The face amount of insurance policies and reinsurance agreements outstanding at any one time under this Act shall not exceed \$3,000,000,000 (which limit may be increased with the approval of the President by further

1 amounts not to exceed \$2,000,000,000 in the aggregate
 2 if such increase is deemed advisable to effectuate the pur-
 3 poses of this Act) minus the aggregate amount of claims
 4 proved and approved under insurance policies and reinsur-
 5 ance agreements issued under this Act, but plus fees col-
 6 lected hereunder. For the purpose of applying this limita-
 7 tion, the face amount of any policy or agreement shall be
 8 deemed to be the original amount minus claims proved and
 9 approved thereunder.

10 REINSURANCE REGULATORY AUTHORITY

11 SEC. 9. (a) The Commissioner is authorized to issue
 12 such regulations regarding reinsurance under this Act as he
 13 deems advisable in order to carry out the purposes of this
 14 Act.

15 (b) The premium rate and terms and conditions of any
 16 policy reinsured under the provisions of this Act shall be
 17 subject to approval by the Commissioner.

18 (c) The Commissioner shall use his best efforts to
 19 encourage private insurance companies to undertake the
 20 issuance of insurance policies covering that portion of the
 21 loss in excess of the limits specified in section 8 (a) of
 22 this Act resulting from damage to or destruction of real or
 23 personal property due to flood as defined in this Act. The
 24 Commissioner may seek to achieve this end by offering a

1 program of appropriate reinsurance within the authority
2 granted him by this Act.

3 (d) Wherever practicable, the Commissioner may en-
4 courage, by offering suitable reinsurance subject to the pro-
5 visions of this Act, the issuance by private insurance com-
6 panies of policies insuring against loss resulting from damage
7 to or destruction of real or personal property due to flood.

8 NONDUPLICATION OF AVAILABLE INSURANCE

9 SEC. 10. (a) No insurance or reinsurance shall be issued
10 under the provisions of this Act covering risks against which
11 insurance is available on reasonable terms from other public
12 or private sources.

13 (b) No insurance or reinsurance shall be issued under
14 the provisions of this Act on any property declared by a duly
15 constituted State or local zoning authority, or other author-
16 ized public body, to be in violation of State or local flood
17 zoning laws.

18 (c) After June 30, 1958, no insurance or reinsurance
19 shall be issued under the provisions of this Act in any geo-
20 graphical location unless an appropriate public body shall
21 have adopted and shall keep in effect such flood zoning
22 restrictions, if any, as may be deemed necessary by the
23 Commissioner to reduce, within practicable limits, damages
24 from flood in such location.

1 USE OF OTHER PUBLIC AND PRIVATE FACILITIES

2 SEC. 11. (a) In providing insurance or reinsurance
3 under this Act, the Commissioner shall use to the maximum
4 practicable extent the facilities and services of private organi-
5 zations and persons authorized to engage in the insurance
6 business under the laws of any State (including insurance
7 companies, agents, brokers, and adjustment organizations);
8 and the Commissioner may arrange for payment of reason-
9 able compensation therefor.

10 (b) In providing insurance or reinsurance under this
11 Act, the Commissioner may use the services of other public
12 agencies, and pay reasonable compensation therefor.

13 (c) The Commissioner may supply, receive from and
14 exchange with other agencies of the Federal Government,
15 State, local, and interstate commissions or agencies, and
16 private organizations experienced in the fields of insurance or
17 reinsurance, such information as may be useful in the admin-
18 istration of the programs authorized by this Act.

19 (d) In carrying out the functions authorized in this Act,
20 the Commissioner may consult with other agencies of the
21 Federal Government and interstate, State, and local public
22 agencies having responsibilities for land use and flood con-
23 trol and for flood zoning and flood-damage prevention in
24 order to assure that the insurance and reinsurance programs

1 are consistent with the programs of such agencies. Where
2 the program of the Commissioner may affect existing or
3 proposed flood-control works under the jurisdiction of agen-
4 cies of the Federal Government these agencies shall cooperate
5 with the Commissioner in coordinating their respective pro-
6 grams. The Secretary of Agriculture and the Commissioner
7 shall coordinate the administration of their respective pro-
8 grams relating to flood insurance and reinsurance for agri-
9 cultural commodities.

10 ~~(c)~~ The Administrator may from time to time consult
11 with representatives of the various States to the extent
12 deemed necessary by him to effectuate the purposes of this
13 Act.

14 CLAIMS PAYMENT AND JUDICIAL REVIEW

15 SEC. 12. ~~(a)~~ Under such regulations as the Commis-
16 sioner may prescribe, he shall arrange for prompt adjustment
17 and payment of valid claims for losses covered by insurance
18 or reinsurance under this Act.

19 ~~(b)~~ Upon disallowance of any claim against the Com-
20 missioner under color of any insurance or reinsurance made
21 available under this Act, or upon refusal of the claimant to
22 accept the amount allowed upon any such claim, the claim-
23 ant may institute an action against the Commissioner on
24 such claim in the United States district court in which a
25 major portion (in terms of value) of the insured property

1 is located. Any such action must be begun within one year
2 after the date upon which the claimant receives from the
3 Commissioner written notice of disallowance or partial dis-
4 allowance of the claim. For the purposes of this section,
5 the Commissioner may be sued and he shall appoint one
6 or more agents within the jurisdiction of each United States
7 district court upon whom service of process can be made in
8 any action instituted under this section. Exclusive jurisdic-
9 tion is hereby conferred upon all United States district
10 courts to hear and determine such actions without regard to
11 the amount in controversy.

12 FUNDS AND TREASURY BORROWINGS

13 SEC. 13. (a) To carry out the purposes of this Act,
14 the Commissioner is authorized to establish two funds to be
15 known as the (1) Disaster Insurance Fund, and (2) Dis-
16 aster Reinsurance Fund.

17 (b) Into the Disaster Insurance Fund shall be de-
18 posited all insurance fees collected by the Commissioner for
19 insurance policies issued by him under this Act, and, after
20 June 30, 1959, the contributions made by the respective
21 States in accordance with section 5 (a) of this Act. Into
22 the Disaster Reinsurance Fund shall be deposited all fees
23 collected by the Commissioner in connection with reinsurance
24 made available by him under this Act.

25 (c) Moneys in each of the funds may be invested in

1 obligations of the United States or in obligations guaranteed
2 as to principal and interest by the United States. Such
3 obligations may be sold and the proceeds derived therefrom
4 may be reinvested as above provided if deemed advisable
5 by the Commissioner. Income from such investment or re-
6 investment shall be deposited in the respective fund from
7 which the investment was made.

8 ~~(d)~~ All salvage proceeds realized by the Commissioner
9 in connection with insurance made available under this Act
10 shall be deposited in the Disaster Insurance Fund; and all
11 salvage proceeds realized by the Commissioner in connection
12 with reinsurance made available under this Act shall be
13 deposited in the Disaster Reinsurance Fund.

14 ~~(e)~~ The Commissioner is authorized to issue to the
15 Secretary of the Treasury from time to time and have out-
16 standing at any one time, in an amount not exceeding
17 \$500,000,000 ~~(or such greater amount as may be ap-~~
18 ~~proved by the President)~~ notes or other obligations in such
19 forms and denominations, bearing such maturities, and sub-
20 ject to such terms and conditions as may be prescribed by
21 the Commissioner, with the approval of the Secretary of
22 the Treasury. Such notes or other obligations shall bear
23 interest at a rate determined by the Secretary of the Treas-
24 ury, taking into consideration the current average rate on

1 outstanding marketable obligations of the United States of
2 comparable maturities as of the last day of the month pre-
3 ceeding the issuance of such notes or other obligations. The
4 Secretary of the Treasury is authorized and directed to
5 purchase any notes and other obligations to be issued here-
6 under and for such purpose he is authorized to use as a
7 public debt transaction the proceeds from the sale of any
8 securities issued under the Second Liberty Bond Act, as
9 amended, and the purposes for which securities may be
10 issued under such Act, as amended, are extended to include
11 any purchases of such notes and obligations.

12 The Secretary of the Treasury may at any time sell any
13 of the notes or other obligations acquired by him under this
14 section. All redemptions, purchases, and sales by the Secre-
15 tary of the Treasury of such notes or other obligations shall
16 be treated as public debt transactions of the United States.
17 Funds borrowed under this section shall be deposited, in
18 such proportions as the Commissioner deems advisable, in
19 the Disaster Insurance Fund and the Disaster Reinsurance
20 Fund.

21 (f) Moneys in the Disaster Insurance Fund and the
22 Disaster Reinsurance Fund may be used for the following
23 purposes as deemed necessary by the Commissioner:

24 (1) To pay from the Disaster Insurance Fund proved

1 and approved claims for loss under, and other nonadminis-
2 trative expenses arising in connection with, insurance policies
3 issued by the Commissioner under this Act;

4 ~~(2)~~ To pay from the Disaster Reinsurance Fund proved
5 and approved claims under, and other nonadministrative
6 expenses arising in connection with, reinsurance agreements
7 entered into by the Commissioner under this Act; and

8 ~~(3)~~ To repay to the Secretary of the Treasury sums
9 borrowed from him in accordance with the provisions of sub-
10 section ~~(c)~~ of this section.

11 ~~(g)~~ All administrative expenses of the Federal Govern-
12 ment under this Act shall be paid from funds appropriated
13 by the Federal Government.

14 ADVISORY COMMITTEE

15 SEC. 14. In carrying out his functions under this Act,
16 the Commissioner shall appoint an advisory committee as
17 authorized by section 604 of the Housing Act of 1949, as
18 amended (68 Stat. 590, 645). Such committee shall con-
19 sist of not less than three nor more than fifteen persons
20 familiar with the problems of insurance or reinsurance, to
21 advise the Commissioner with respect to the formulation of
22 policies and the execution of functions under this Act.

23 STUDIES

24 SEC. 15. ~~(a)~~ The Commissioner shall undertake a con-
25 tinuing study of the practicability of extending the coverage

1 of insurance programs similar to those authorized under
 2 this Act to any one or more natural disaster perils, other
 3 than flood, against which, and for the period during which,
 4 insurance protection is not generally and practically available
 5 in all geographical locations from other public or private
 6 sources.

7 ~~(b)~~ The Commissioner shall also undertake a continuing
 8 study of participation by private insurance companies in the
 9 programs authorized by this Act, in order that the protection
 10 it authorizes can be provided, whenever practicable, through
 11 insurance policies issued by private insurance companies and
 12 reinsured with the Commissioner, in lieu of providing such
 13 protection through insurance policies issued in the name
 14 of the Commissioner.

15 ~~(c)~~ The Commissioner shall undertake a continuing
 16 study of the feasibility of having private insurance companies
 17 take over, with or without some form of Federal financial
 18 support, the insurance programs authorized by this Act.

19 ADDITIONAL FUNCTIONS

20 SEC. 16. For the purpose of carrying out functions under
 21 this Act the Commissioner may—

22 ~~(a)~~ sue or be sued;

23 ~~(b)~~ without regard to sections 3648 and 3709 of
 24 the Revised Statutes, as amended ~~(31 U. S. C. 529~~

1 and 41 U. S. C. 5), and section 322 of the Act of June
2 30, 1932 (47 Stat. 412, as amended (40 U. S. C.
3 278a)), enter into and perform contracts, leases, co-
4 operative agreements, or other transactions, on such
5 terms as he may deem appropriate, with any agency or
6 instrumentality of the United States, or with any State
7 or agency or political subdivision thereof, or with any
8 person, firm, association, or corporation and consent to
9 modification thereof, and make advance or progress pay-
10 ments in connection therewith;

11 (c) without regard to sections 3648 and 3709 of
12 the Revised Statutes, as amended (31 U. S. C. 529 and
13 41 U. S. C. 5), and section 322 of the Act of June
14 30, 1932 (47 Stat. 412, as amended (40 U. S. C.
15 278a)), by purchase, lease, or donation acquire such
16 real and personal property and any interest therein,
17 make advance or progress payments in connection there-
18 with, and hold, use, maintain, insure against loss, sell,
19 lease, or otherwise dispose of such real and personal
20 property as the Commissioner deems necessary to carry
21 out the purposes of this Act;

22 (d) appoint, pursuant to civil-service laws and reg-
23 ulations, such officers, attorneys, and employees as may
24 be necessary to carry out the purposes of this Act; fix

1 their compensation in accordance with the provisions of
 2 the Classification Act of 1949, as amended; define their
 3 authority and duties; provide bonds for such of them as
 4 he may deem necessary; and delegate to them, and
 5 authorize successive redelegations by them, of such of
 6 the powers vested in him by this Act as he may deter-
 7 mine;

8 ~~(e)~~ conduct researches, surveys, and investigations
 9 relating to flood insurance and reinsurance and assemble
 10 data for the purpose of establishing estimated rates, fees,
 11 and premiums for flood insurance and reinsurance under
 12 this Act;

13 ~~(f)~~ issue such rules and regulations as he deems
 14 necessary to carry out the purposes of this Act; and

15 ~~(g)~~ exercise all powers specifically granted by the
 16 provisions of this Act and such incidental powers as
 17 are necessary to carry out the purposes of this Act.

18 RESERVATION OF RIGHTS IN REAL ESTATE ACQUIRED

19 SEC. 17. The acquisition by the Commissioner of any
 20 real property pursuant to this Act shall not deprive any
 21 State or political subdivision thereof of its civil or criminal
 22 jurisdiction in and over such property or impair the civil
 23 rights under the State or local law of the inhabitants on such
 24 property.

1 TAXATION

2 SEC. 18. Nothing in this Act shall be construed to
3 exempt any real property, acquired and held by the Com-
4 missioner in connection with the payment of any claim under
5 this Act, from taxation by any State or political subdivision
6 thereof, to the same extent, according to its value, as other
7 real property is taxed.

8 ANNUAL REPORT

9 SEC. 19. The annual report made by the Housing and
10 Home Finance Administrator to the President for submission
11 to the Congress under existing law on all programs provided
12 for under this Act shall contain a comprehensive report con-
13 cerning (1) the operation of insurance and reinsurance pro-
14 grams authorized under this Act, and (2) the status and
15 result of studies authorized under section 15 of this Act,
16 together with such recommendations, if any, for legislative
17 changes deemed by the Commissioner desirable to improve
18 the operation of programs authorized under this Act. The
19 annual report for the calendar year ending December
20 31, 1958, shall contain a list of the States which
21 can be expected to participate in the insurance pro-
22 gram authorized by this Act after June 30, 1959. The
23 annual report for the calendar year ending December 31,
24 1961, shall contain an express opinion of the Commissioner,
25 supported by pertinent findings, concerning the advisability

1 of withdrawing in whole or in part Federal financial sup-
 2 port for insurance policies to be issued at any time after
 3 June 30, 1962, offering protection as authorized in this
 4 Act, taking into consideration the desirability of offering such
 5 protection. Such opinion shall be accompanied by recom-
 6 mendations for legislative changes deemed desirable by the
 7 Commissioner in the event the opinion is to the effect that
 8 any such withdrawal of financial support is advisable.

9 DEFINITIONS

10 SEC. 20. As used in this Act the term—

11 (a) "Flood" includes any flood, tidal wave, wave wash,
 12 or other abnormally high tidal water, deluge, or the water
 13 component of any hurricane or other severe storm, land-
 14 slide due to excess moisture, and shall have such other
 15 meaning as may be prescribed by regulation of the
 16 Commissioner.

17 (b) "Person" means an individual or group of indi-
 18 viduals, corporation, partnership, association, or any other
 19 organized group of persons, including State and local gov-
 20 ernments and agencies thereof;

21 (c) "United States", when used in a geographic sense,
 22 means the several States, the District of Columbia, the Terri-
 23 tories, the possessions, and the Commonwealth of Puerto
 24 Rico; and

1 (d) "State" includes the several States, the District of
2 Columbia, the Territories, the possessions, and the Common-
3 wealth of Puerto Rico.

4 SEPARABILITY PROVISION

5 SEC. 21. If any provision of this Act or the application
6 of such provision to any person or circumstances shall be
7 held invalid, the remainder of the Act and the application of
8 such provision to any person or circumstance other than those
9 as to which it is held invalid shall not be affected thereby.
10 *That this Act may be cited as the "Federal Flood Insurance*
11 *Act of 1956".*

12 FINDINGS AND DECLARATION OF PURPOSE

13 SEC. 2. (a) *The Congress finds that in the case of*
14 *recurring natural disasters, including recurring floods, in-*
15 *surance protection against individual and public loss is not*
16 *always practically available through private or public*
17 *sources. With specific reference to insurance against flood*
18 *loss, the Congress finds that insurance against certain losses*
19 *resulting from this peril is not so available. Since pre-*
20 *ventive and protective means and structures against the*
21 *effects of these disasters can never wholly anticipate the*
22 *geographic incidence and infinite variety of the destructive*
23 *aspects of these forces, the Congress finds that the safeguards*
24 *of insurance are a necessary adjunct of preventive and pro-*
25 *ductive means and structures.*

1 *Inasmuch as these disasters impede interstate and*
2 *foreign commerce, hamper national defense, and cause wide-*
3 *spread distress and hardship adversely affecting the general*
4 *welfare, without regard to State boundary lines, and in the*
5 *absence of insurance protection from private or public*
6 *sources, the Congress ought to provide for such protection in*
7 *the case of flood, and study the feasibility and need for*
8 *similar programs in the case of other forms of natural dis-*
9 *aster against which insurance protection is not generally and*
10 *practically available in all geographical areas.*

11 *(b) (1) It is the purpose of this Act to authorize the*
12 *establishment of a program of Federal insurance and re-*
13 *insurance against the risks of loss resulting from flood as*
14 *hereinafter defined, and to require a study and report on*
15 *insurance and reinsurance against still other natural disaster*
16 *perils to the extent that such insurance or reinsurance is not*
17 *available on reasonable terms and conditions from other*
18 *public or private sources; and*

19 *(2) It is the further purpose of this Act to encourage*
20 *private insurance companies to write insurance covering the*
21 *extent of the risks above the limits prescribed in section 10*
22 *(a) and to provide Federal reinsurance to the extent de-*
23 *sirable and necessary to carry out this purpose.*

24 *(3) It is the further purpose of this Act to authorize*
25 *the establishment of a program of loans, and a program*

1 combining insurance and loans, to assist flood victims who
2 have entered into contracts with the Administrator under
3 this Act.

4 ADMINISTRATION

5 SEC. 3. (a) To assist in carrying out the functions,
6 powers, and duties vested in him by this Act, the Adminis-
7 trator may appoint a Commissioner, and the basic rate of
8 compensation of such position shall be the same as the basic
9 rate of compensation established for the Commissioners of
10 the constituents of the Housing and Home Finance Agency.

11 (b) The provisions of the Government Corporation Con-
12 trol Act, as amended, shall apply to the functions vested in
13 the Administrator by this Act, to the same extent as appli-
14 cable to wholly owned Government corporations.

15 (c) In the performance of, and with respect to, the
16 functions, powers, and duties vested in him by this Act,
17 the Administrator, notwithstanding the provisions of any
18 other law, shall maintain an integral set of accounts which
19 shall be audited annually by the General Accounting Office
20 in accordance with the principles and procedures applicable
21 to commercial transactions as provided by the Government
22 Corporation Control Act, as amended, and no other audit
23 shall be required: Provided, That such financial transactions
24 of the Administrator as the issuing of insurance policies,

1 *the making of reinsurance agreements, and the making and*
2 *guaranteeing of loans, and vouchers approved by the Admin-*
3 *istrator in connection with such financial transactions, shall*
4 *be final and conclusive upon all officers of the Government.*

5 *AUTHORITY TO INSURE AND REINSURE*

6 *SEC. 4. To aid in carrying out the purposes of this Act,*
7 *the Administrator is authorized to provide, upon such terms*
8 *and conditions (including coinsurance requirements) as he*
9 *may establish, insurance and reinsurance against loss re-*
10 *sulting from damage to or destruction of real or personal*
11 *property (including property owned by any State or local*
12 *government) due to flood, as hereinafter defined, occurring*
13 *within the United States.*

14 *LOAN CONTRACTS*

15 *SEC. 5. (a) The Administrator is authorized to enter*
16 *into contracts with any persons (not including State and*
17 *local governments and agencies thereof) to the effect that,*
18 *in the event of any subsequent loss resulting from damage*
19 *to or destruction of real and personal property due to flood,*
20 *as hereinafter defined, occurring within the United States—*

21 *(1) the Administrator will guarantee any public or*
22 *private financing institution against loss of principal and*
23 *interest with respect to any loan in an amount not to*
24 *exceed such subsequent flood loss (as modified by sub-*
25 *section (f) of this section, relating to deductibility),*

1 *which may be made by such institution to any such person*
2 *in connection with such flood loss; and*

3 *(2) to the extent that a loan to finance such flood*
4 *loss is not available from any such institution on reason-*
5 *able terms, the Administrator will make a loan directly*
6 *to such person in an amount covering all or part (as*
7 *provided for in the loan contract between the Admin-*
8 *istrator and such person) of the difference between the*
9 *amount of such flood loss (as modified by such subsec-*
10 *tion (f), relating to deductibility) and the amount of*
11 *the loan available from such institution.*

12 *Each such contract shall contain such terms and conditions,*
13 *and require from any such person such monetary considera-*
14 *tion, as the Administrator may prescribe by regulation; but*
15 *such monetary consideration shall be in the lowest prac-*
16 *ticable amount.*

17 *(b) Any loan made or guaranteed under this section*
18 *shall bear interest at the rate, as determined by the Adminis-*
19 *trator, which is prevailing in the area where the money*
20 *loaned is to be used but such rate shall not exceed 4 per*
21 *centum per annum on the unpaid principal balance.*

22 *(c) Any Federal Reserve bank, when designated by the*
23 *Administrator, is hereby authorized to act, on behalf of the*
24 *Administrator, as fiscal agent of the United States in guar-*
25 *anteeing loans under this section and in otherwise taking*

1 action in connection with such guarantees. Such funds as
2 may be necessary to enable such bank to carry out any such
3 guarantee shall be supplied and disbursed by or under
4 authority of the Administrator from the Disaster Loan
5 Fund. Such bank shall not have any responsibility or
6 accountability except as agent in taking any action in con-
7 nection with such guarantees. Each such bank shall be
8 reimbursed by the Administrator, from funds appropriated
9 by the Federal Government, for all expenses incurred by
10 the bank in acting as agent on behalf of the Administrator,
11 including among such expenses, notwithstanding any other
12 provision of law, attorneys' fees and expenses of litigation.

13 (d) Actions and operations of such banks under author-
14 ity of subsection (c) of this section shall be subject to the
15 supervision of the Administrator and subject to such regula-
16 tions as he may prescribe. The Administrator is authorized
17 to prescribe the term and incidental charges for loans guaran-
18 teed under subsection (c) of this section. The Administrator
19 is further authorized to prescribe regulations with respect to
20 the forms and procedures (which shall be uniform to the
21 maximum extent practicable) to be utilized in connection with
22 such guarantees.

23 (e) To the maximum extent practicable, loans under this
24 section shall be on a long-term basis in accordance with

1 regulations prescribed by the Administrator, if so requested
2 by the person obtaining the loan.

3 (f) Loans under this section shall be made only with
4 respect to amounts exceeding the first \$500 of the amount
5 of the loss.

6 (g) The face amount of all loan contracts outstanding
7 under this section at any one time shall not exceed \$2,000,-
8 000,000; but such amount may be increased, with the ap-
9 proval of the President, by not to exceed \$500,000,000 in any
10 one fiscal year.

11 (h) The provisions of sections 8, 9, 10 (a), 10 (b),
12 12 (b), 12 (c), 13, 14, 15 (e), 15 (g), 17 (a), 18, 19,
13 20, 22, and 23 of this Act shall be applicable with respect
14 to the loan contract program under this section.

15 COMBINATION OF INSURANCE AND LOANS

16 SEC. 6. The Administrator is authorized to establish,
17 under such regulations as he may prescribe, a program
18 combining insurance and loans in order to provide the great-
19 est variety and amount of protection against loss to the
20 greatest number of affected parties in accordance with indi-
21 vidual needs.

22 ESTIMATED RATES AND FEES

23 SEC. 7. (a) The Administrator shall from time to time
24 establish a schedule of "estimated rates" for insurance offered
25 under the provisions of this Act, which would be adequate, in

1 his judgment, to produce sufficient proceeds to pay all claims
2 for probable losses over a reasonable period of years. Such
3 "estimated rates" shall be used as a basis for determining
4 the fees to be paid by the persons insured. They shall be
5 based on consideration of the risks involved and shall be
6 uniform for similar risks within a given classification of
7 property. They shall not include any loading for adminis-
8 trative expenses of the Federal Government under this Act.
9 The Administrator shall establish a schedule of fees to pro-
10 vide insurance protection at reasonable costs designed to
11 achieve marketability: Provided, That no insurance policy
12 shall be issued for a fee less than 60 per centum of such
13 "estimated rate", except that reduced fees may be established
14 for insurance on any classification of owner-occupied dwelling
15 units if the Administrator determines that without such re-
16 duction the owners of such dwelling units as a class could not
17 afford to pay the fees chargeable for such insurance. The
18 Administrator is authorized to establish such classifications
19 of fees as he deems necessary to carry out the purposes of
20 this Act based on the use of the property to be insured, the
21 availability of insurance from private sources covering such
22 property, and the ability of the insured to self-insure or
23 reinsure and may establish differentials in levels of fees for
24 such classifications: Provided, That all such fees shall be
25 uniform for similar risks within a given classification of

1 property. The Administrator shall from time to time pay
2 into the Disaster Insurance Fund, hereinafter created, an
3 amount equal to the difference between the fees charged for
4 insurance policies issued and the amount which would have
5 been charged if the "estimated rates" were applied.

6 (b) The Administrator from time to time shall also
7 negotiate with insurance companies seeking reinsurance for
8 the purpose of establishing fees for reinsurance offered under
9 the provisions of this Act. Such fees shall be based on con-
10 sideration of the risks involved and shall be adequate, in the
11 judgment of the Administrator, to produce sufficient pro-
12 ceeds over a reasonable period of years to pay all claims for
13 losses. The fees shall not include any loading for admin-
14 istrative expenses of the Federal Government under this
15 Act.

16 *PROPERTY AND LOSS LIMITS*

17 *SEC. 8. The Administrator is authorized to provide for*
18 *the determination of types and location of property with*
19 *respect to which insurance or reinsurance shall be made*
20 *available under this Act, the nature and limits of loss or*
21 *damage in any area (including subdivisions thereof) which*
22 *may be covered by such insurance or reinsurance, and such*
23 *other matters as may be necessary to carry out the purposes*
24 *of this Act.*

RISK CLASSIFICATION

SEC. 9. The Administrator may from time to time issue appropriate regulations regarding the classification, limitation, and rejection of risks assumed by him under authority of this Act.

POLICY AND PROGRAM LIMITS

SEC. 10. (a) The outstanding face amount of insurance issued by the Administrator under this Act shall not exceed \$250,000 per person: Provided, That the face amount of such insurance on any dwelling unit (including any structures and personal property connected therewith) shall not exceed \$10,000.

(b) The Administrator may from time to time issue appropriate regulations regarding insurance coverage available to joint owners and subsidiary and affiliated corporations as he shall deem advisable to effectuate the purposes of this Act.

(c) Each insurance policy issued by the Administrator shall contain a loss-deductible clause relieving him from any liability for paying the first \$100 of a proved and approved claim for loss, plus 5 per centum of the remainder, or such larger amount or percentage as may be specified by the Administrator upon issuance of the insurance policy, taking into consideration the class of risk involved.

1 (d) *The face amount of insurance policies and rein-*
2 *surance agreements outstanding at any one time under this*
3 *Act shall not exceed \$3,000,000,000 (which limit may be*
4 *increased with the approval of the President by further*
5 *amounts not to exceed \$2,000,000,000 in the aggregate*
6 *if such increase is deemed advisable to effectuate the pur-*
7 *poses of this Act) minus the aggregate amount of claims*
8 *proved and approved under insurance policies and reinsur-*
9 *ance agreements issued under this Act, but plus fees col-*
10 *lected hereunder. For the purpose of applying this limita-*
11 *tion, the face amount of any policy or agreement shall be*
12 *deemed to be the original amount minus claims proved and*
13 *approved thereunder.*

14 REINSURANCE REGULATORY AUTHORITY

15 SEC. 11. (a) *The Administrator is authorized to issue*
16 *such regulations regarding reinsurance under this Act as he*
17 *deems advisable in order to carry out the purposes of this*
18 *Act.*

19 (b) *The premium rate and terms and conditions of any*
20 *policy reinsured under the provisions of this Act shall be*
21 *subject to approval by the Administrator.*

22 (c) *The Administrator shall use his best efforts to*
23 *encourage private insurance companies to undertake the*
24 *issuance of insurance policies covering that portion of the*
25 *loss in excess of the limits specified in section 10 (a) of*

1 *this Act resulting from damage to or destruction of real or*
2 *personal property due to flood as defined in this Act. The*
3 *Administrator may seek to achieve this end by offering a*
4 *program of appropriate reinsurance within the authority*
5 *granted him by this Act.*

6 *(d) Wherever practicable, the Administrator may en-*
7 *courage, by offering suitable reinsurance subject to the pro-*
8 *visions of this Act, the issuance by private insurance com-*
9 *panies of policies insuring against loss resulting from damage*
10 *to or destruction of real or personal property due to flood.*

11 NONDUPLICATION OF AVAILABLE INSURANCE

12 *SEC. 12. (a) No insurance or reinsurance, or loan*
13 *contract, shall be issued under the provisions of this Act*
14 *covering risks against which insurance is available on reason-*
15 *able terms from other public or private sources.*

16 *(b) No insurance or reinsurance shall be issued under*
17 *the provisions of this Act on any property declared by a duly*
18 *constituted State or local zoning authority, or other author-*
19 *ized public body, to be in violation of State or local flood*
20 *zoning laws.*

21 *(c) After June 30, 1958, no insurance or reinsurance*
22 *shall be issued under the provisions of this Act in any geo-*
23 *graphical location unless an appropriate public body shall*
24 *have adopted and shall keep in effect such flood zoning*
25 *restrictions, if any, as may be deemed necessary by the Ad-*

1 *ministrator to reduce, within practicable limits, damages from*
2 *flood in such location.*

3 *USE OF OTHER PUBLIC AND PRIVATE FACILITIES*

4 *SEC. 13. (a) In providing insurance or reinsurance*
5 *under this Act, the Administrator shall use to the maximum*
6 *practicable extent the facilities and services of private organi-*
7 *zations and persons authorized to engage in the insurance*
8 *business under the laws of any State (including insurance*
9 *companies, agents, brokers, and adjustment organizations);*
10 *and the Administrator may arrange for payment of reason-*
11 *able compensation therefor.*

12 *(b) In providing insurance or reinsurance under this*
13 *Act, the Administrator may use the services of other public*
14 *agencies, and pay reasonable compensation therefor.*

15 *(c) The Administrator may supply, receive from and*
16 *exchange with other agencies of the Federal Government,*
17 *State, local, and interstate commissions or agencies, and*
18 *private organizations experienced in the fields of insurance or*
19 *reinsurance, such information as may be useful in the admin-*
20 *istration of the programs authorized by this Act.*

21 *(d) In carrying out the functions authorized in this Act,*
22 *the Administrator may consult with other agencies of the*
23 *Federal Government and interstate, State, and local public*
24 *agencies having responsibilities for land use and flood con-*
25 *trol and for flood zoning and flood-damage prevention in*

1 order to assure that the insurance and reinsurance programs
2 are consistent with the programs of such agencies. Where
3 the program of the Administrator may affect existing or
4 proposed flood-control works under the jurisdiction of agen-
5 cies of the Federal Government these agencies shall cooperate
6 with the Administrator in coordinating their respective pro-
7 grams. The Secretary of Agriculture and the Administrator
8 shall coordinate the administration of their respective pro-
9 grams relating to flood insurance and reinsurance for agri-
10 cultural commodities.

11 *CLAIMS PAYMENT AND JUDICIAL REVIEW*

12 *SEC. 14. (a) Under such regulations as the Adminis-*
13 *trator may prescribe, he shall arrange for prompt adjust-*
14 *ment and payment of valid claims for losses covered by*
15 *insurance or reinsurance under this Act.*

16 *(b) Upon disallowance of any claim against the Ad-*
17 *ministrator under color of any insurance or reinsurance*
18 *made available under this Act, or upon refusal of the claim-*
19 *ant to accept the amount allowed upon any such claim, the*
20 *claimant may institute an action against the Administrator*
21 *on such claim in the United States district court in which a*
22 *major portion (in terms of value) of the insured property*
23 *is located. Any such action must be begun within one year*
24 *after the date upon which the claimant receives from the*
25 *Administrator written notice of disallowance or partial dis-*

1 allowance of the claim. For the purposes of this section,
2 the Administrator may be sued and he shall appoint one
3 or more agents within the jurisdiction of each United States
4 district court upon whom service of process can be made in
5 any action instituted under this section. Exclusive jurisdic-
6 tion is hereby conferred upon all United States district
7 courts to hear and determine such actions without regard to
8 the amount in controversy.

9 FUNDS AND TREASURY BORROWINGS

10 SEC. 15. (a) To carry out the purposes of this Act,
11 the Administrator is authorized to establish three funds to
12 be known as the (1) Disaster Insurance Fund, (2) Dis-
13 aster Reinsurance Fund, and (3) Disaster Loan Fund.

14 (b) Into the Disaster Insurance Fund shall be de-
15 posited all insurance fees collected by the Administrator for
16 insurance policies issued by him under this Act. Into the
17 Disaster Reinsurance Fund shall be deposited all fees col-
18 lected by the Administrator in connection with reinsurance
19 made available by him under this Act. Into the Disaster
20 Loan Fund shall be deposited amounts accruing to the
21 United States in connection with loan contract transactions.

22 (c) Moneys in each of the funds may be invested in
23 obligations of the United States or in obligations guaranteed
24 as to principal and interest by the United States. Such
25 obligations may be sold and the proceeds derived therefrom

1 may be reinvested as above provided if deemed advisable
2 by the Administrator. Income from such investment or re-
3 investment shall be deposited in the respective fund from
4 which the investment was made.

5 (d) All salvage proceeds realized by the Administrator
6 in connection with insurance made available under this Act
7 shall be deposited in the Disaster Insurance Fund; and all
8 salvage proceeds realized by the Administrator in connection
9 with reinsurance made available under this Act shall be
10 deposited in the Disaster Reinsurance Fund.

11 (e) The Administrator is authorized to issue to the
12 Secretary of the Treasury from time to time and have out-
13 standing at any one time, in an amount not exceeding
14 \$500,000,000 (or such greater amount as may be ap-
15 proved by the President) notes or other obligations in such
16 forms and denominations, bearing such maturities, and sub-
17 ject to such terms and conditions as may be prescribed by
18 the Administrator, with the approval of the Secretary of
19 the Treasury. Such notes or other obligations shall bear
20 interest at a rate determined by the Secretary of the Treas-
21 ury, taking into consideration the current average rate on
22 outstanding marketable obligations of the United States of
23 comparable maturities as of the last day of the month pre-
24 ceding the issuance of such notes or other obligations. The
25 Secretary of the Treasury is authorized and directed to

1 purchase any notes and other obligations to be issued here-
2 under and for such purpose he is authorized to use as a
3 public debt transaction the proceeds from the sale of any
4 securities issued under the Second Liberty Bond Act, as
5 amended, and the purposes for which securities may be
6 issued under such Act, as amended, are extended to include
7 any purchases of such notes and obligations.

8 *The Secretary of the Treasury may at any time sell any*
9 *of the notes or other obligations acquired by him under this*
10 *section. All redemptions, purchases, and sales by the Secre-*
11 *tary of the Treasury of such notes or other obligations shall*
12 *be treated as public debt transactions of the United States.*
13 *Funds borrowed under this section shall be deposited, in*
14 *such proportions as the Administrator deems advisable, in*
15 *the Disaster Insurance Fund, the Disaster Reinsurance*
16 *Fund, and the Disaster Loan Fund.*

17 *(f) Moneys in the Disaster Insurance Fund, the Disaster*
18 *Reinsurance Fund, and the Disaster Loan Fund may be*
19 *used for the following purposes as deemed necessary by the*
20 *Administrator:*

21 *(1) To pay from the Disaster Insurance Fund proved*
22 *and approved claims for loss under, and other nonadminis-*
23 *trative expenses arising in connection with, insurance policies*
24 *issued by the Administrator under this Act;*

25 *(2) To pay from the Disaster Reinsurance Fund proved*

1 and approved claims under, and other nonadministrative
2 expenses arising in connection with, reinsurance agreements
3 entered into by the Administrator under this Act;

4 (3) To pay from the Disaster Loan Fund the amounts
5 of loans made by the Administrator, amounts in payment of
6 guarantees, and other nonadministrative expenses in connec-
7 tion with direct and guaranteed loans under this Act; and

8 (4) To repay to the Secretary of the Treasury sums
9 borrowed from him in accordance with the provisions of sub-
10 section (e) of this section.

11 (g) All administrative expenses of the Federal Govern-
12 ment under this Act shall be paid from funds appropriated
13 by the Federal Government.

14 ADVISORY COMMITTEE

15 SEC. 16. In carrying out his functions under this Act,
16 the Administrator shall appoint an advisory committee as
17 authorized by section 601 of the Housing Act of 1949, as
18 amended (68 Stat. 590, 645). Such committee shall con-
19 sist of not less than three nor more than fifteen persons
20 familiar with the problems of insurance or reinsurance, to
21 advise the Administrator with respect to the formulation of
22 policies and the execution of functions under this Act.

23 STUDIES

24 SEC. 17. (a) The Administrator shall undertake a con-
25 tinuing study of the practicability of extending the coverage

1 of insurance programs similar to those authorized under
2 this Act to any one or more natural disaster perils, other
3 than flood, against which, and for the period during which,
4 insurance protection is not generally and practically available
5 in all geographical locations from other public or private
6 sources.

7 (b) The Administrator shall also undertake a continuing
8 study of participation by private insurance companies in the
9 programs authorized by this Act, in order that the protection
10 it authorizes can be provided, whenever practicable, through
11 insurance policies issued by private insurance companies and
12 reinsured with the Administrator, in lieu of providing such
13 protection through insurance policies issued in the name
14 of the Administrator.

15 (c) The Administrator shall undertake a continuing
16 study of the feasibility of having private insurance companies
17 take over, with or without some form of Federal financial
18 support, the insurance programs authorized by this Act.

19 *ADDITIONAL FUNCTIONS*

20 *SEC. 18. For the purpose of carrying out functions under*
21 *this Act the Administrator may—*

22 (a) sue or be sued;

23 (b) without regard to sections 3648 and 3709 of
24 the Revised Statutes, as amended (31 U. S. C. 529
25 and 41 U. S. C. 5), and section 322 of the Act of June

1 30, 1932 (47 Stat. 412, as amended (40 U. S. C.
2 278a)), enter into and perform contracts, leases, co-
3 operative agreements, or other transactions, on such
4 terms as he may deem appropriate, with any agency or
5 instrumentality of the United States, or with any State
6 or agency or political subdivision thereof, or with any
7 person, firm, association, or corporation and consent to
8 modification thereof, and make advance or progress pay-
9 ments in connection therewith;

10 (c) without regard to sections 3648 and 3709 of
11 the Revised Statutes, as amended (31 U. S. C. 529 and
12 41 U. S. C. 5), and section 322 of the Act of June
13 30, 1932 (47 Stat. 412, as amended (40 U. S. C.
14 278a)), by purchase, lease, or donation acquire such
15 real and personal property and any interest therein,
16 make advance or progress payments in connection there-
17 with, and hold, use, maintain, insure against loss, sell,
18 lease, or otherwise dispose of such real and personal
19 property as the Administrator deems necessary to carry
20 out the purposes of this Act;

21 (d) appoint, pursuant to civil-service laws and reg-
22 ulations, such officers, attorneys, and employees as may
23 be necessary to carry out the purposes of this Act; fix
24 their compensation in accordance with the provisions of
25 the Classification Act of 1949, as amended; define their

1 *authority and duties; provide bonds for such of them as*
2 *he may deem necessary; and delegate to them, and*
3 *authorize successive redelegations by them, of such of*
4 *the powers vested in him by this Act as he may deter-*
5 *mine;*

6 *(e) conduct researches, surveys, and investigations*
7 *relating to flood insurance and reinsurance and assemble*
8 *data for the purpose of establishing estimated rates, fees,*
9 *and premiums for flood insurance and reinsurance under*
10 *this Act;*

11 *(f) issue such rules and regulations as he deems*
12 *necessary to carry out the purposes of this Act; and*

13 *(g) exercise all powers specifically granted by the*
14 *provisions of this Act and such incidental powers as*
15 *are necessary to carry out the purposes of this Act.*

16 *RESERVATION OF RIGHTS IN REAL ESTATE ACQUIRED*

17 *SEC. 19. The acquisition by the Administrator of any*
18 *real property pursuant to this Act shall not deprive any*
19 *State or political subdivision thereof of its civil or criminal*
20 *jurisdiction in and over such property or impair the civil*
21 *rights under the State or local law of the inhabitants on such*
22 *property.*

TAXATION

1
2 *SEC. 20. Nothing in this Act shall be construed to*
3 *exempt any real property, acquired and held by the Admin-*
4 *istrator in connection with the payment of any claim under*
5 *this Act, from taxation by any State or political subdivision*
6 *thereof, to the same extent, according to its value, as other*
7 *real property is taxed.*

ANNUAL REPORT

8
9 *SEC. 21. The annual report made by the Administrator*
10 *to the President for submission to the Congress under*
11 *existing law on all programs provided for under this Act*
12 *shall contain a comprehensive report concerning (1) the*
13 *operation of insurance, reinsurance, and loan programs*
14 *authorized under this Act, and (2) the status and result of*
15 *studies authorized under section 17 of this Act, together with*
16 *such recommendations, if any, for legislative changes deemed*
17 *by the Administrator desirable to improve the operation of*
18 *programs authorized under this Act. The annual report for*
19 *the calendar year ending December 31, 1961, shall contain*
20 *an express opinion of the Administrator, supported by perti-*
21 *nent findings, concerning the advisability of withdrawing in*
22 *whole or in part Federal financial support for insurance poli-*

1 cies to be issued at any time after June 30, 1962, offering
2 protection as authorized in this Act, taking into consid-
3 eration the desirability of offering such protection. Such
4 opinion shall be accompanied by recommendations for
5 legislative changes deemed desirable by the Admin-
6 istrator in the event the opinion is to the effect that
7 any such withdrawal of financial support is advisable.

DEFINITIONS

9 *SEC. 22. As used in this Act the term—*

(a) "Flood" includes any flood, tidal wave, wave wash, or other abnormally high tidal water, deluge, or the water component of any hurricane or other severe storm, surface landslide due to excess moisture, and shall have such other meaning as may be prescribed by regulation of the Administrator.

(b) "Person" means an individual or group of individuals, corporation, partnership, association, or any other organized group of persons, including State and local governments and agencies thereof;

(c) “United States”, when used in a geographic sense, means the several States, the District of Columbia, the Territories, the possessions, and the Commonwealth of Puerto Rico;

24 (d) “State” includes the several States, the District of

1 *Columbia, the Territories, the possessions, and the Common-*
2 *wealth of Puerto Rico; and*

3 (e) “Administrator” means the *Housing and Home*
4 *Finance Administrator.*

5 SEPARABILITY PROVISION

6 SEC. 23. *If any provision of this Act or the application*
7 *of such provision to any person or circumstances shall be*
8 *held invalid, the remainder of the Act and the application of*
9 *such provision to any person or circumstance other than those*
10 *as to which it is held invalid shall not be affected thereby.*

Passed the Senate May 10 (legislative day, May 7),
1956.

Attest:

FELTON M. JOHNSTON,

Secretary.

84TH CONGRESS
2^D SESSION

S. 3732

[Report No. 2746]

AN ACT

To provide insurance against flood damage, and
for other purposes.

MAY 14, 1956

Referred to the Committee on Banking and Currency

JULY 17, 1956

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(For Department Staff Only)

Issued July 20, 1956
For actions of July 19, 1956
84th-2nd, No. 123

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HIGHLIGHTS: Senate committee reported nomination of Kermit H. Hansen to be FHA Administrator. Senate confirmed nominations of members of Commission on Increased Industrial Use of Agricultural Products. Senate rejected Hells Canyon dam bill. Senate began consideration of executive pay bill. Senate conferees appointed on Public Law 480 bill. House passed rubber research laboratory disposal bill. House agreed to Senate amendments to bill broadening law on practices in marketing perishable commodities. House passed bill authorizing certain land exchanges between USDA and Defense Department. House Rules Committee cleared flood insurance bill. (Continued on page 6)

HOUSE

1. RUBBER. Passed without amendment S. 3832, to provide for disposal of the Government-owned synthetic rubber research laboratories at Akron, O. This bill is now ready for the President. p. 12364
2. MARKETING. Agreed to Senate amendments to H. R. 5337, to amend the provisions of the Perishable Agricultural Commodities Act so as to eliminate the necessity of proving "fraudulent purpose" in connection with the misbranding of any perishable agricultural commodity, make misrepresentation of the "region of origin" a violation of the Act, authorize the Secretary of Agriculture to change the annual license fee from \$15 to any amount not in excess of \$25, enlarge the grounds for denial of a license to permit denial, under certain circumstances, permit suspension or revocation (instead of revocation only) of the license of any licensee who after proper notice continues to employ in a responsible position any person whose license or whose previous firm's license has been revoked or suspended (rather than revoked only) and restrict the Secretary's authority to permit such employment after 1 year to cases in which the revocation or suspension was for failure to pay a reparation award, and

extend the record inspection provision to permit such record inspection as may be required (a) to determine the ownership, control, packer, or State, county or region of origin in connection with commodity inspection or (b) to ascertain whether the record keeping provisions of the Act are being complied with; and to permit inspection of any lot of any perishable agricultural commodity covered by the Act. This bill is now ready for the President. p. 12366

3. FORESTRY. Passed without amendment S. 2572, to authorize the interchange of lands between this Department and the military departments of the Defense Department. This bill is now ready for the President. p. 12373
 4. SOCIAL SECURITY. Conferees were appointed on H. R. 7225, to amend and revise title II of the Social Security Act. Senate conferees were appointed on July 17. p. 12364
 5. FARM LABOR. The Interstate and Foreign Commerce Committee reported with amendment S. 3391, to provide for reasonable requirements regarding comfort, safety, etc., of the interstate transportation of migrant farm workers (H. Rept. 2810). p. 12398
 6. FLOOD INSURANCE. The Rules Committee reported a resolution for consideration of S. 3732, to provide insurance against flood damage. p. 12398
 7. WOOL IMPORTS. The Ways and Means Committee ordered reported (but did not actually report) H. R. 12227, to permit the duty-free importation of wool of a type used in the manufacture of carpets. p. D841
 8. BUDGET; ACCOUNTING. The conferees agreed to file a report (but did not actually file a report) on S. 3897, to improve governmental budgeting and accounting methods and procedures. p. D841
 9. FARM PROGRAM. Rep. Henderson criticized government controls on the farm economy and the Democratic administrations' farm policies. p. 12394
 10. TARIFFS. The Ways and Means Committee reported with amendment H. R. 12254, to provide additional time for the Tariff Commission to review the customs tariff schedules (H. Rept. 2815). p. 12398
 11. ELECTRIFICATION. Rep. Rogers urged that consideration be given to atomic energy electric power facilities in the New England area as a means of providing a cheap source of power and increasing the industrial potential of that area. p. 12395
 12. FOREIGN AFFAIRS. Both Houses received from the President a report on U. S. participation in the United Nations Organization (H. Doc. 455); to Senate Foreign Relations and House Foreign Affairs Committees. pp. 12239, 12362
 13. LEGISLATIVE PROGRAM. Rep. McCormack announced that the House will be in session on Sat., July 21, and that on Mon., July 23, the Consent Calendar will be called and also consideration of bills under suspension of the rules will be in order. p. 12374
- SENATE
14. NOMINATIONS. The Agriculture and Forestry Committee reported the nomination of Kermit H. Hansen to be Administrator of the Farmers' Home Administration. pp.

CONSIDERATION OF S. 3732

JULY 19, 1956.—Referred to the House Calendar and ordered to be printed

Mr. O'NEILL, from the Committee on Rules, submitted the following

R E P O R T

[To accompany H. Res. 617]

The Committee on Rules, having had under consideration House Resolution 617, report the same to the House with the recommendation that the resolution do pass.

○

House Calendar No. 309

84TH CONGRESS
2D SESSION

H. RES. 617

[Report No. 2828]

IN THE HOUSE OF REPRESENTATIVES

JULY 19, 1956

Mr. O'NEILL, from the Committee on Rules, reported the following resolution :
which was referred to the House Calendar and ordered to be printed

RESOLUTION

1 *Resolved*, That, upon the adoption of this resolution, it
2 shall be in order to move that the House resolve itself into
3 the Committee of the Whole House on the State of the
4 Union for the consideration of the bill (S. 3732) to provide
5 insurance against flood damage, and for other purposes.
6 After general debate, which shall be confined to the bill, and
7 shall continue not to exceed one hour, to be equally divided
8 and controlled by the chairman and ranking minority member
9 of the Committee on Banking and Currency, the bill shall
10 be read for amendment under the five-minute rule. It shall
11 be in order to consider the substitute amendment recom-
12 mended by the Committee on Banking and Currency now in

1 the bill, and such substitute for the purpose of amendment
2 shall be considered under the five-minute rule as an original
3 bill. At the conclusion of such consideration the Committee
4 shall rise and report the bill to the House with such amend-
5 ments as may have been adopted, and any member may
6 demand a separate vote in the House on any of the amend-
7 ments adopted in the Committee of the Whole to the bill or
8 committee substitute. The previous question shall be con-
9 sidered as ordered on the bill and amendments thereto to final
10 passage without intervening motion except one motion to
11 recommit with or without instructions.

84TH CONGRESS
2^D SESSION

H. RES. 617

[Report No. 2828]

RESOLUTION

Providing for the consideration of S. 3732, a bill to provide insurance against flood damage, and for other purposes.

By Mr. O'NEILL

JULY 19, 1956

Referred to the House Calendar and ordered to be printed

SEN. H. RES. 617

October 10, 1967

RESOLUTION

Resolved, That the Committee on Education, United States House of Representatives, do hereby

pass the following resolution:

That the Committee on Education, United States House of Representatives, do hereby

pass the following resolution:

Resolved, That the Committee on Education, United States House of Representatives, do hereby

July 21, 1956

on the items for this Department is indicated in the attached table.)

53. **PERSONNEL.** Conferees were appointed on H. R. 7619, the executive pay increase and civil service retirement bill. Senate conferees were appointed on July 20. p. 12602
The Post Office and Civil Service Committee reported with amendment S. 2875, to revise the Civil Service Retirement Act (H. Rept. 2854). p. 12661
The Rules Committee reported a resolution for the consideration of S. 3481, to amend the Foreign Service Act of 1946, so as to increase the salaries and provide other benefits for employees in the Foreign Service. p. 12662
54. **CUSTOMS.** Received and agreed to the conference report on H. R. 6040, to amend certain administrative provisions of the Tariff Act of 1930 and to repeal obsolete provisions of the customs laws (H. Rept. 2866). p. 12654
55. **WATERSHEDS.** Conferees were appointed on H. R. 8750, to amend the Watershed Protection and Flood Prevention Act. Senate conferees were appointed July 20. p. 12657
56. **FARM LOANS.** Received the conference report on H. R. 11544, to improve and simplify the credit facilities available to farmers, and to amend the Bankhead-Jones Farm Tenant Act. The conference report includes the following provisions: Eliminates limitation on refinancing loans to part-time farmers for debts against the real estate; authorizes insurance of loans not to exceed \$15,000 for general farm improvement on farms requiring no more than three families; further clarifies eligibility for FHA loans, by eliminating reference to prevailing rates of interest in excess of 5% as a criteria for eligibility; provides that "improvement or refinancing loans (as distinguished from acquisition or enlargement loans) may be made with respect to farms above the "average value" level"; authorizes insurance of second mortgage loans on real estate; accepts the Senate formula for determining the maximum amount of operating loans; authorizes the extension of production loans in hardship cases to ten years from date of loan, without regard to criteria of determined disaster areas; and extends the "economic disaster" loan program for two years and provides an additional \$50 million in loan funds (H. Rept. 2869). p. 12657
57. **FLOOD INSURANCE.** Began debate on S. 3732, to provide insurance against flood damage. pp. 12633, 12637
58. **WOOL IMPORTS.** The Ways and Means Committee reported with amendment H. R. 12227, to amend certain provisions of the Tariff Act of 1930 relative to import duties on wool (H. Rept. 2868). p. 12662
59. **LANDS.** The Interior and Insular Affairs Committee reported without amendment H. R. 12185, to provide that withdrawals or reservations of more than 5,000 acres of public lands of the U. S. for certain purposes shall not become effective until approved by act of Congress (H. Rept. 2856). p. 12661
60. **HOUSING.** The Rules Committee reported a resolution for the consideration of H. R. 11742, to extend and amend laws relating to the provision and improvement of housing and the conservation and development of urban communities. p. 12662
The "Daily Digest" states the Rules Committee cleared for consideration H. R. 12328, to extend and amend laws relating to the provision and improvement of housing and the conservation and development of urban communities. p. D856
61. **RECLAMATION; ELECTRIFICATION.** Agreed to the conference report on S. 497, to authorize the Secretary of the Interior to construct, operate, and maintain the Washoe reclamation project, Nev. and Calif. p. 12603

62. CONTRACTS. Agreed to the Senate amendments to H. R. 11947, to amend and extend the Renegotiation Act of 1951. This bill is now ready for the President. p. 12603
63. TARIFFS. Passed as reported H. R. 12254, to extend until March 1, 1958, the time in which the Tariff Commission is directed to complete its study and report with respect to recommendations for simplifying our tariff structure as provided in Public Law 768, 83d Congress. p. 12656
64. LEGISLATIVE PROGRAM. Rep. McCormack announced the following program for July 23-27: Monday, Consent Calendar and the following bills under suspension of the rules - omnibus rivers and harbors and Army flood control projects bill, Federal Construction Contract Act relating to subcontractors bill, migrant farm laborers transportation bill, Foreign Service Act amendments bill, International fairs and festivals bill, cranberries marketing bill, Great Plains conservation bill, and USDA point-of-order bill; balance of the week - civilian atomic power bill, second supplemental appropriation bill, housing bill, power rates on Federal projects bill, Farwell reclamation project bill, minimum wages in territories and possessions bill, marketing facilities loan insurance bill, wool import bill, and Fryingpay-Arkansas reclamation project bill; Thursday - Private Calendar. p. 12637
65. ADJOURNED until Mon., July 23. p. 12661

SENATE (continued)

66. APPROPRIATIONS. S. Doc. 143 includes the following items for this Department: Acquisition of Lands for Cache National Forest, \$50,000, to remain available until expended; Salaries and Expenses, Farmers' Home Administration, \$1,400,000; and Salaries and expenses, Office of the General Counsel, \$85,000. The latter two items are contingent upon the enactment of pending legislation to amend Titles I and II of the Bankhead-Jones Farm Tenant Act which would substantially broaden the authority for loans thereunder.

ITEMS IN APPENDIX - July 21

67. SURPLUS COMMODITIES. Rep. Gavins inserted a two part newspaper article with an editor's note explaining "how world-wide commodity sales operations of surplus farm products acquired in its agricultural price-support programs gets Uncle Sam foreign money, and how he spends it abroad. pp. A5748, A5746
68. SOIL BANK. Rep. Hill inserted a newspaper article, "Five Hundred and Ninety-Two Thousand Five Hundred and Three Acres Colorado Land in Soil Bank." p. A5748
69. SOCIAL SECURITY. Rep. Cooper inserted a summary of the principal provisions of the conference agreement on H. R. 7225, the social security amendments bill. p. A5755
70. STOCKPILING. Rep. Multer inserted a newspaper article, written by Willard Rockwell, a former special assistant to Secretary of Defense Wilson, "Stockpiling Opposed-- Government's Actions Said To Cause Severe Loss To Small Business." p. A5758
71. LEGISLATION. Extension of remarks of Rep. Tollefson commenting on some of the bills passed by the Congress this session, including national debt, appropriations, revised farm program. p. A 5759

Amendments Nos. 48 and 49: Appropriate \$758,100 for Metropolitan Police instead of \$695,000 as proposed by the House and \$821,200 as proposed by the Senate; and provide that of the sum appropriated \$92,000 shall be derived from the highway fund instead of \$83,000 as proposed by the House and \$100,000 as proposed by the Senate. Included in the sum allowed are funds for six automobiles.

Amendment No. 50: Appropriates \$398,850 for the courts as proposed by the Senate instead of \$379,250 as proposed by the House.

Amendment No. 51: Appropriates \$191,520 for the Department of Public Health instead of \$121,290 as proposed by the House and \$261,750 as proposed by the Senate. Included in the sum allowed is \$14,500 for first aid assistants for the emergency ambulance service. The balance of the funds provided is to be used to grant a salary increase to interns and residents at D. C. General Hospital effective January 1, 1957.

Amendments Nos. 52 and 53: Appropriate \$9,000 for the National Guard instead of \$7,500 as proposed by the House and \$11,600 as proposed by the Senate; and provide that the compensation of the commanding general shall not exceed \$9,000 per annum retroactive to January 1, 1956.

Capital Outlay

Public building construction

Amendments Nos. 54, 55, and 56: Appropriate (to include a detention unit) \$7,922,829 as proposed by the Senate instead of \$7,427,929 as proposed by the House; and provide that of the sum provided \$2,110,500 shall not become available for expenditure until July 1, 1957, as proposed by the Senate, instead of \$1,910,500 as proposed by the House.

CHAPTER XII

Legislative branch

Amendment No. 57: Inserts heading.

Amendments Nos. 58, 59, 60, and 61: Reported in disagreement.

CLARENCE CANNON,
GEORGE MAHON,
HARRY R. SHEPPARD (except amendment No. 20),
ALBERT THOMAS,
MICHAEL J. KIRWAN,
W. F. NORRELL,
JAMIE L. WHITTEN,
GEORGE ANDREWS,
JOHN J. ROONEY,
J. VAUGHAN GARY,
JOHN E. FOGARTY (except amendment No. 36),
R. L. F. SIKES,
PRINCE H. PRESTON,
LOUIS C. RABAUT,
JOHN TABER,
R. B. WIGGLESWORTH,
BEN F. JENSEN,
H. CARL ANDERSEN,
WALT HORAN,
GORDON CANFIELD,
IVOR D. FENTON,
JOHN PHILLIPS,
ERRETT P. SCRIVNER,
F. R. COUDERT,
CLIFF CLEVINGER,
EARL WILSON,
GERALD R. FORD, JR.,

Managers on the Part of the House.

INSURANCE AGAINST FLOOD DAMAGE

Mr. O'NEILL. Mr. Speaker, by direction of the Committee on Rules, I call up the resolution (H. Res. 617) providing for the consideration of S. 3732, a bill to provide insurance against flood damage, and for other purposes, and ask for its immediate consideration.

The Clerk read the resolution, as follows:

Resolved, That, upon the adoption of this resolution, it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (S. 3732) to provide insurance against flood damage, and for other purposes. After general debate, which shall be confined to the bill, and shall continue not to exceed 1 hour, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Banking and Currency, the bill shall be read for amendment under the 5-minute rule. It shall be in order to consider the substitute amendment recommended by the Committee on Banking and Currency now in the bill, and such substitute for the purpose of amendment shall be considered under the 5-minute rule as an original bill. At the conclusion of such consideration the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and any Member may demand a separate vote in the House on any of the amendments adopted in the Committee of the Whole to the bill or committee substitute. The previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit with or without instructions.

Mr. O'NEILL. Mr. Speaker, at the conclusion of my term of 30 minutes, I will yield 30 minutes to the gentleman from Illinois.

Mr. Speaker, House Resolution 617 makes in order the consideration of S. 3732, a bill to provide insurance against flood damage and for other purposes.

The resolution provides for an open rule and 1 hour of general debate. It also makes in order the consideration of the substitute amendment recommended by the Committee on Banking and Currency now in the bill, and the substitute shall be considered under the 5-minute rule as an original bill.

The bill provides for an experimental program to provide insurance and reinsurance against losses resulting from damage to or destruction of real or personal property due to floods occurring within the United States, its Territories and possessions, and Puerto Rico. The property covered may be owned privately or by a State or local government and agencies thereof.

The bill also provides for an additional form of protection against flood loss by means of a program of federally guaranteed and Federal direct loan contracts designed to provide a line of credit to finance any subsequent flood losses.

The Housing and Home Finance Administrator is authorized to appoint a Commissioner to assist him in carrying out the provisions of the bill. The Administrator is required to compute a schedule of estimated rates to be computed on the basis of the risks involved and which, if collected, would be sufficient to produce enough to pay all claims for probable flood losses over a reasonable period of years. In addition, he will determine the type of property and location of property which may be covered by insurance and reinsurance and the nature and limits of loss or damage in any area.

Loans are to be made only with respect to amounts exceeding the first \$500 of the amount of the flood loss. The face amount of insurance policies issued under the bill cannot exceed \$250,000 per person and cannot exceed \$10,000 for any dwelling unit. This same limit is provided for loan contracts.

The face amount of insurance policies and reinsurance agreements outstanding at any one time under the bill cannot exceed \$3 billion. This amount may be increased, with Presidential approval, by additional amounts not to exceed \$2 billion in the aggregate. The face amount of all loan contracts outstanding shall not at any one time exceed \$2 billion dollars. This amount may also be increased with Presidential approval by an amount not to exceed \$500 million in any fiscal year.

The Administrator is authorized to establish a disaster insurance fund, a disaster reinsurance fund, and a disaster loan fund. He may borrow from the United States Treasury up to \$500 million, and more if approved by the President. All administrative expenses of the Federal Government under the programs provided by the bill are to be paid out of appropriations made by the Congress for that purpose.

Annual reports are required and the annual report for the calendar year 1961 must contain the Administrator's opinion and findings as to the advisability of withdrawing Federal financial aid for insurance policies to be issued after June 30, 1962.

I urge the adoption of House Resolution 617 so the House may proceed to the consideration of this bill.

Mr. Speaker, this legislation is before the House because of the flood that happened in the northeast section of the country in 1954. I recall September 21, 1938, when the first of the hurricanes struck the northeast, a huge cyclonic storm, spawned in the subtropics, with powerful howling winds, massive tides, and torrential rains, leaving in its wake half a billion dollars worth of damage. This was considered at that time to be a freak and could never happen again, but in 1944 the northeast section was again hit, and in 1954, the first being the hurricane, Carol, causing a billion dollars worth of damage, hit the northeast region of this Nation. All electric power, the lifeblood of a modern community, had ceased to flow. A half million men were out of work. Two thousand men were put to work repairing the electric and water systems and literally digging themselves out of the disaster. Hardly had the community struggled through Hurricane Carol when on September 10, 1954, Hurricane Edna struck with tremendous force, with tremendous tides, and winds up to 135 miles per hour. Although people were ready and had made what preparation they could, it again took its toll, and the damage was exceedingly heavy, with hundreds of thousands of people suffering severe losses, and industry suffering terrific financial losses. At that time, between Hurricane Carol and Hurricane Edna, the members of the Massachusetts delegation met in Bos-

ton. At that time we appointed a special committee to work with the Federal authorities, under the chairmanship of Congressman PHILBIN. The committee was composed of Congressman PHILBIN, Congressman DONOHUE, Congressman BOLAND, Congresswoman ROGERS, Congressman HESELTON, and Congressman WIGGLESWORTH. They did a tremendous job in going all through the area that had been stricken. They came out with a program making recommendations that have already gone through this Congress with regard to the dam sites, that should be included in the appropriation bill this year. They also recommended to this Congress an insurance bill, such insurance as of this type. It is my honest opinion that this bill does not go far enough. It is not sufficient. We should have a stronger bill than this. We should have a general disaster bill. Annually, since 1932, the torrential rains in this country have cost the homeowners and industry about a half billion dollars a year. How much further damage is caused by the cyclones and fire, I do not know, but I do believe that this is good legislation, because it opens the door and will put on the books a statute which will be further amended in the years to come, that will take care of this great problem.

I urge the adoption of House Resolution 617, so that the House may proceed to the consideration of the bill.

Mr. DIES. Mr. Speaker, will the gentleman yield?

Mr. O'NEILL. I yield.

Mr. DIES. I know nothing about this bill. I am asking for information. Does the Government issue insurance and also reinsure?

Mr. O'NEILL. As I understand the bill, it does. It invites private industry to come in and participate.

Mr. DIES. You mean the Government issues a contract to the property owner, an insurance policy, and collects a premium?

Mr. O'NEILL. I will say "yes," but Mr. SPENCE can answer far better than I can. I know the answer is "yes." Furthermore, the House and Home Finance Administrator is authorized to appoint a Commission, and this Commissioner is required to compute a schedule of rates which, if collected, would be sufficient to produce enough to pay all the claims for flood losses over a period of years.

Mr. DIES. No one would have any benefit unless they paid the premium on a policy?

Mr. O'NEILL. That is correct, yes.

Mr. PHILLIPS. Mr. Speaker, will the gentleman yield?

Mr. O'NEILL. I yield.

Mr. PHILLIPS. I will ask the same question which the gentleman from Texas asked, except in a little more detail. I confess I have not yet been able to read the report, but has anyone set up a rate, or anything of that kind?

Mr. O'NEILL. I will yield to the gentleman from California [Mr. McDONOUGH], to answer that.

Mr. McDONOUGH. In answer to the gentleman from California [Mr. PHILLIPS] the rates are a matter of consideration. That is a subject to be gone into and developed by the Commissioner. He will have to determine whether the

rates will require a high premium or a medium premium.

Mr. PHILLIPS. If the gentleman will yield further, let me ask another question: Is it intended that the rates charged for the insurance shall cover the entire loss? I mean would this be a self-supporting insurance program?

Mr. McDONOUGH. No, the rates will not cover the entire loss; as a matter of fact the total amount anyone can realize in the maximum is very small.

Mr. PHILLIPS. I do not mean the entire loss to the householder. I mean, is the entire cost to the Government to be underwritten by the premiums to be charged?

Mr. McDONOUGH. It is a matter that experience will have to determine after it has been in operation long enough to know how many people will participate.

Mr. PHILLIPS. This is a rather important question. I am familiar with the problem of crop insurance. It failed at the start on that one point, that there was no way in which we could get money enough through premiums to carry crop insurance. Our fear is that we will never be able to have insurance premiums which will carry this program. I feel that we are in on this proposition to the extent of several billions or dollars a year when it is really rolling.

Mr. McDONOUGH. If the gentleman from Massachusetts will yield I may say to the gentleman from California, [Mr. PHILLIPS] that the committee looked at that part of the bill very seriously and we concluded that we have no way of determining whether the premiums will even approximate the losses until after we have had experience to know how many people will come into the program and buy the insurance.

Also, two protections are given under this bill: You can buy the right to a loan or you can buy insurance.

Mr. PHILLIPS. At the same time that we are being asked to vote here for a tremendously expensive venture with no calculation as to what it will cost, I am concerned as a member of the Appropriations Committee.

Mr. McDONOUGH. Let me emphasize again that this is an experimental program and a costly program, but we hope it can be worked out satisfactorily.

Mr. HALLECK. Mr. Speaker, will the gentleman yield?

Mr. O'NEILL. I yield to the gentleman from Indiana.

Mr. HALLECK. I might say solely as I have been able to understand this matter, and I have tried to pay some attention to it, it is my impression that the bill as it passed the other body carried certain provisions that I think would have done something to quiet the fears of some of us, including the gentleman from California, as to just what ultimately may be involved here—for instance, as the bill passed the other body there was a limitation of 40 percent on the subsidy to be paid by the Federal Government.

Mr. O'NEILL. That is correct. That is in this bill.

Mr. HALLECK. In the second place, as the bill came from the other body

there was a requirement for full participation. That has been eliminated. In other words, as far as I am concerned, this bill as it is presently before us is too vague and does not carry safeguards.

As far as I am concerned I just could not support the bill in its present form. Whether it can be corrected on the floor or whether we can correct it in conference is another question, but I certainly want to emphasize that as far as I am concerned this bill with the safeguards removed, in my opinion, if it were to become law as written would take us much too far in what surely is an experimental operation but which can turn out to be a very burdensome operation.

Mr. O'NEILL. With regard to the changes between the Senate bill and the bill pending before the House I refer the gentleman from Indiana to the gentleman from Kentucky.

Mr. HAND. Mr. Speaker, will the gentleman yield?

Mr. O'NEILL. I yield.

Mr. HAND. I would like to say to my minority leader that so far as the so-called subsidy is concerned, this bill does contain on page 29 the provision that no insurance policy shall be issued for a fee of less than 60 percent of such estimated rate. I think that is either the same or much the same as the Senate provisions.

Mr. HALLECK. I must say that my information on the subsidy arrangement is that there is no such limitation in respect to owner-occupied units, and, of course, that will be the maximum part.

Mr. DIES. Mr. Speaker, will the gentleman yield?

Mr. O'NEILL. I yield to the gentleman from Texas.

Mr. DIES. Is it proposed to establish a revolving fund that is to be administered by the Home Finance Corporation?

Mr. O'NEILL. Yes.

Mr. DIES. How much money will be appropriated for the revolving fund?

Mr. McDONOUGH. The obligation on the part of the Government shall not exceed \$3 billion. You can anticipate a flood disaster, and a number of them over a few years, and we will not assume any more liability than \$3 billion. That is the maximum.

Mr. O'NEILL. The face amount of the insurance policies and reinsurance agreements outstanding at any one time cannot under this act exceed \$3 billion. This amount may be increased with the approval of the President by further amounts not to exceed \$2 billion in the aggregate. The amount may be increased by Presidential authority to a total amount not to exceed \$5 billion in any fiscal year.

Mr. DIES. The Government establishes a revolving fund that cannot exceed \$3 billion?

Mr. O'NEILL. That is correct.

Mr. DIES. Then it issues insurance policies to cover loss from floods?

Mr. O'NEILL. That is correct.

Mr. DIES. Any other disasters?

Mr. O'NEILL. No.

Mr. DIES. Just from floods. No one can tell us how much premium will be required?

Mr. O'NEILL. No. As I have already said, it is in the experimental stage and

actuarially they have not come up with a set figure. That will have to be figured out in the future.

Mr. DODD. Mr. Chairman, will the gentleman yield?

Mr. O'NEILL. I yield to the gentleman from Connecticut.

Mr. DODD. I suppose a private insurance company would have to do the same thing before going into a new field. It is a type of insurance that is not available from private sources?

Mr. O'NEILL. That is correct. I have checked into flood and tide damage to homes in my particular area and I was told by people when asked why they did not have flood control insurance that it would cost from \$500 to \$800 to insure a thousand-dollar piece of property.

Mr. BOLAND. One of the reasons why private insurance companies do not go into it is they are afraid one disaster would wipe them out. Every time we have a disaster in the United States there is always a lot of talk of what ought to be done in relation to insurance, but nothing is ever done. It would seem to me that the Committee on Banking and Currency of the House deserves the commendation of the membership of the House for bringing in this report because this is the first real attempt to wrestle with this problem. There are some questions which I presume will be answered when we get into the Committee of the Whole on actual cost. But it would seem to me we ought to adopt the rule, go into the Committee of the Whole and debate the matter so the Members can know what is in it.

Mrs. ROGERS of Massachusetts. Mr. Chairman, will the gentleman yield?

Mr. O'NEILL. I yield to the gentleman from Massachusetts.

Mrs. ROGERS of Massachusetts. If through a hurricane there is a high tide from the ocean, would that be considered damage?

Mr. O'NEILL. This is flood control insurance. I imagine it would include tidal waves or overflow because of torrential rains.

(Mr. WALTER asked and was given permission to extend his remarks at this point.)

Mr. WALTER. Mr. Speaker, unless one experiences the ravages of a flood, it is difficult to realize the myriad of kinds of losses that are suffered by the owners of property. It is understandable why private insurance companies have not provided insurance in these kinds of losses heretofore, but recent events have indicated the necessity for insurance in this field. The rates would be prohibitive but for governmental participation. To those who oppose anything that puts the Government in competition with private business, and I am one of them, I feel that the 5-year trial period provided for offers entire safeguards against an invasion of a field in which private enterprise can adequately operate.

Wealthy corporations and individuals can survive a major loss such as a flood causes but for the small-business man and people of moderate circumstances a flood means the irrecoverable loss of his all with little or no chance for a fresh start. During the trial period provided

for in the bill those charged with administering the program and the Congress can and will make whatever adjustments experience indicates are necessary. Those of us who have studied this problem and who have attempted to bring about a solution thereof are well pleased with the bill that is now before us and I hope it will be enacted into law.

(Mr. SEELY-BROWN asked and was given permission to extend his remarks at this point.)

Mr. SEELY-BROWN. Mr. Speaker, I rise in support of the Federal Flood Insurance Act of 1956. The provisions of this bill have been clearly set forth, and I shall, therefore, not take up the time of the House in a discussion of the case for the bill, and the background of the bill, in the remarks which I shall make today. I do, however, want to take this opportunity to congratulate those Members of both Houses of the Congress who have given so much of their time over the past months, who have given so unselfishly of their strength, and energy, and wisdom, and have worked so diligently in the task of devising an operable flood-insurance proposal. Our own senior Senator from Connecticut, PRESIDENT BUSH, is the author of the bill under consideration, which resulted in a melding of ideas evolved in the course of the study made of the subject of flood insurance.

This measure has my wholehearted support because I firmly believe it will form a great public service for the people of the United States by making available indemnity against flood damage to real and personal property. Flood damage is the only damage or hazard against which a person cannot buy some kind of insurance. Private insurance companies do not write flood insurance on real or personal property; they have stated repeatedly that they cannot now offer the insurance and do not expect to do so within the foreseeable future. Since this situation exists, I feel we are amply justified in considering legislation of the type now before the House.

As we all know, Mr. Speaker, exhaustive hearings have been held on this general subject. Our President's deep concern with the need of flood indemnity was set forth in his statement at Bradley Field, near Hartford, Conn., at the time he personally came to our State to view the flood damage of last year. Also, he reiterated this concern in his state of the Union message when he advocated the undertaking of an experimental program of flood-damage indemnities. The bill under consideration today provides for operation of a nationwide pilot-plant program of flood insurance and reinsurance, with the buyer of flood insurance paying 60 percent of the estimated cost, and the Federal Government paying the remainder, plus the administrative expenses.

It is not necessary at this time again to recount the sad experience of flood victims. As far back as our records go, this country has been intermittently plagued with floods. No State has escaped their devastation, although in particular areas their impact has been more pronounced at one time than at another. I am particularly familiar,

from firsthand observation, of the terror and devastation caused by the floods which visited the northeastern section of our country last year. In the six Northeastern States affected, 167 persons were killed and more than 5,000 were injured. Property damage was more than a half billion dollars. That estimate is conservative, since it includes only the direct damages. The immense additional losses—losses represented by the interruption to business activities, the time lost while men and organizations concentrated their entire energies on rebuilding, and absence of wages due to unemployment caused by the floodwaters—are not included in that figure. Almost the most tragic flood losses, apart from loss of life and personal injury were those in which families of small or moderate means lost all of their worldly possessions in a flood. Homeowners lost their mortgaged homes to the flood, but still owed the money due on the mortgage. In some cases the savings of a lifetime were wiped out in one swift rush of angry waters.

I do not mean to pretend that this program of flood insurance, as provided in the bill, meets entirely the problem of floods in this country, but the insurance and reinsurance programs it authorizes will make a helpful start toward the solution. Insurance proceeds would come at the time they are most needed, relieve the insured's other assets from pressure, maintain his credit, and give him an immediate source of funds for the repair of flood damage.

Mr. Speaker, I cannot emphasize too strongly my feeling that a program of flood indemnity is necessary. I hope all of my colleagues will join in my support of this measure—which provides a program that will make it possible for potential flood victims the Nation over to purchase some peace of mind protection, knowing that if they are unfortunate enough to be afflicted by flood damage, they will at least be assured of the financial means of repairing that damage.

Mr. ALLEN of Illinois. Mr. Speaker, it is Saturday afternoon, 20 minutes to 5, and we are presented with a \$3 billion bill. Personally, I will vote to adopt the rule, but inasmuch as this is a \$3 billion bill it might be better to decide it at some other time than at 5 o'clock on Saturday afternoon.

Mr. O'NEILL. Mr. Speaker, I move the previous question.

The previous question was ordered.

The SPEAKER pro tempore (Mr. COOPER). The question is on the resolution.

The resolution was agreed to.

A motion to reconsider was laid on the table.

COMMITTEE ON RULES

Mr. DELANEY. Mr. Speaker, I ask unanimous consent that the Committee on Rules may have until midnight tonight to file several privileged reports.

The SPEAKER pro tempore (Mr. COOPER). Is there objection to the request of the gentleman from New York?

There was no objection.

TAX ON ADMISSIONS

Mr. DELANEY. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 616 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

Resolved, That, upon the adoption of this resolution, it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H. R. 9875) to amend the Internal Revenue Code of 1954 to provide that the tax on admissions shall apply only with respect to that portion of the amount paid for any admission which is in excess of \$1. That after general debate, which shall be confined to the bill, and shall continue not to exceed 1 hour, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Ways and Means, the bill shall be considered as having been read for amendment. No amendment shall be in order to said bill except amendments offered by direction of the Committee on Ways and Means, and said amendments shall be in order, any rule of the House to the contrary notwithstanding. Amendments offered by direction of the Committee on Ways and Means may be offered to any section of the bill at the conclusion of the general debate, but said amendments shall not be subject to amendment. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion, except one motion to recommit.

Mr. DELANEY. Mr. Speaker, I yield 30 minutes to the gentleman from Illinois [Mr. ALLEN], and yield myself such time as I may desire.

Mr. Speaker, House Resolution 616 makes in order the consideration of the bill (H. R. 9875) to amend the Internal Revenue Code of 1954 with regard to the tax on admissions.

The resolution provides for a closed rule and 1 hour of debate on the bill.

Under present law general admissions are free of tax if the charge is 50 cents or less. This bill provides that no tax is to be imposed on a general admission for which the charge is \$1 or less, or in the case of season or subscription tickets, if the amount which would be charged for a single admission is \$1 or less.

This exemption does not apply to admissions to horse or dog racing tracks, charges for the permanent use or lease of boxes or seats, sales outside of the box office in excess of the established price, sales by proprietors in excess of the regular price, or to amounts paid with respect to cabarets.

It is estimated that the enactment of this bill will result in a revenue loss of approximately \$70 million a year when fully effective.

It is believed that this exemption will assist motion-picture theaters and other places of amusement who have experienced serious economic problems within the last few years.

The committee report complies with the Ramseyer rule and I urge the adoption of House Resolution 616.

(Mr. DELANEY asked and was given permission to revise and extend his remarks.)

Mr. ALLEN of Illinois. Mr. Speaker, I know of no opposition to this rule or to the bill itself.

I reserve the balance of my time.

Mr. DELANEY. Mr. Speaker, I move the previous question.

The previous question was ordered.

The SPEAKER pro tempore (Mr. COOPER). The question is on the resolution.

The resolution was agreed to.

A motion to reconsider was laid on the table.

TRAINING OF FISHING INDUSTRY PERSONNEL

Mr. O'NEILL. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 612, making in order the bill H. R. 10433, and ask for its immediate consideration.

The Clerk read the resolution, as follows:

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H. R. 10433) to promote the fishing industry in the United States and its Territories by providing for the training of needed personnel for such industry. After general debate, which shall be confined to the bill, and shall continue not to exceed 1 hour, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Merchant Marine and Fisheries, the bill shall be read for amendment under the 5-minute rule. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

Mr. O'NEILL. Mr. Speaker, House Resolution 612 makes in order the consideration of H. R. 10433. The resolution provides for an open rule and 1 hour of general debate.

At the present time there is an insufficient number of trained men to assure the future of commercial fisheries. To encourage the education and training of persons in this field the bill, H. R. 10433, authorizes an appropriation not in excess of \$550,000 a year for grants to public and nonprofit private universities and colleges to train personnel, including scientists, technicians, and teachers needed in the fishing industry.

In addition, section 3 of the Vocational Education Act of 1946 is amended to authorize \$375,000 for vocational education in the fishery and distributive trades.

The committee report complies with the Ramseyer rule.

I urge the adoption of House Resolution 612.

I yield 30 minutes to the gentleman from Illinois.

Mr. ALLEN of Illinois. Mr. Speaker, I have no requests for time on this side.

Mr. GROSS. Mr. Speaker, would the gentleman yield?

Mr. ALLEN of Illinois. I yield to the gentleman.

Mr. GROSS. Was not this bill called up previously? Was it on the Consent Calendar or under suspension?

Mr. McCORMACK. If the gentleman would permit, it was under suspension of the rules.

Mr. GROSS. And it was withdrawn?

Mr. McCORMACK. No; it failed. The vote was 254 to 133. It failed by about 3 votes of getting a two-thirds vote.

Mr. GROSS. And now it comes back under a rule?

Mr. McCORMACK. Which is perfectly all right.

Mr. GROSS. Oh, yes.

Mr. HOFFMAN of Michigan. Mr. Speaker, reserving the right to object—

The SPEAKER pro tempore. There is nothing before the House to which the gentleman may reserve the right to object.

CALL OF THE HOUSE

Mr. HOFFMAN of Michigan. Mr. Speaker, I make the point of order that a quorum is not present.

Mr. ALLEN of Illinois. Mr. Speaker, I should be glad to yield to the gentleman.

Mr. HOFFMAN of Michigan. I do not want any time.

The SPEAKER pro tempore. The gentleman from Michigan makes the point of order that a quorum is not present. The Chair will count. [After counting.] A quorum is not present.

Mr. McCORMACK. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 108]

Abbitt	Davis, Wis.	Kean
Adair	Dawson, Ill.	Kearney
Alexander	Derounian	Kee
Anfuso	Diggs	Kelley, Pa.
Ashley	Dingell	Kelly, N. Y.
Auchincloss	Dollinger	Keogh
Ayres	Dolliver, Iowa	Kling, Pa.
Bailey	Dondero	Klrwan
Barden	Donohue	Klein
Barrett	Donovan	Knox
Bass, N. H.	Dorn, S. C.	Knutson
Bass, Tenn.	Doyle	Lane
Beamer	Eberharter	Lankford
Becker	Edmondson	Latham
Bell	Ellsworth	Long
Bennett, Mich.	Engle	Lovre
Bentley	Fallon	McCarthy
Blatnik	Fino	McConnell
Bolton	Fogarty	McDowell
Frances P. Bolton	Frelinghuysen	McMillan
Oliver P. Bosch	Fulton	Machrowicz
Bosch	Gamble	Mack, Ill.
Bowler	Garnatz	Magnuson
Boykin	Gary	Mason
Boyle	Gathings	Meador
Bray	George	Miller, Nebr.
Brooks, Tex.	Gordon	Miller, N. Y.
Broyhill	Green, Pa.	Mollohan
Buckley	Griffiths	Morano
Burdick	Gwinn	Morgan
Burleson	Hays, Ark.	Morrison
Burnside	Hays, Ohio	Murray, Ill.
Byrne, Pa.	Healey	Nelson
Carnahan	Hébert	O'Hara, Minn.
Cederberg	Henderson	Osmer
Celler	Herlong	Passman
Chatham	Hiestand	Patman
Chlperfield	Hillings	Powell
Chudoff	Hinshaw	Preston
Clevenger	Hoffman, Ill.	Priest
Cole	Hollifield	Radwan
Coudert	Holland	Reece, Tenn.
Crumpacker	Holtzman	Rhodes, Pa.
Dague	Jackson	Richards
Davidson	James	Riehlman
Davis, Tenn.	Johansen	Robeson, Va.
	Judd	Robison, Ky.

Roosevelt	Siler	Udall
Sadlak	Simpson, Pa.	Van Pelt
Scott	Smith, Va.	Wainwright
Scrivner	Smith, Wis.	Wharton
Scudder	Staggers	Wickersham
Seely-Brown	Taylor	Williams, N. J.
Sheehan	Thomas	Wilson, Ind.
Shelley	Thompson, La.	Withrow
Short	Thornberry	Zelenko

The SPEAKER pro tempore. On this rollcall 261 Members have answered to their names, a quorum.

By unanimous consent, further proceedings under the call were dispensed with.

Mr. DELANEY. Mr. Speaker, I move the previous question.

The previous question was ordered.

The SPEAKER pro tempore. The question is on the resolution.

The resolution was agreed to and a motion to reconsider was laid on the table.

DISPENSING WITH CALENDAR WEDNESDAY

Mr. McCORMACK. Mr. Speaker, I ask unanimous consent that the business in order on Calendar Wednesday of next week be dispensed with.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

PRIVATE CALENDAR

Mr. McCORMACK. Mr. Speaker, I ask unanimous consent that it may be in order to call bills on the Private Calendar on Thursday of next week.

Mr. HALLECK. Mr. Speaker, reserving the right to object, are we to understand that there is no prospect for adjournment before Thursday?

Mr. McCORMACK. I cannot see it.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

LEGISLATIVE PROGRAM FOR NEXT WEEK

(Mr. MARTIN asked and was given permission to address the House for 1 minute.)

Mr. MARTIN. Mr. Speaker, I take this time to secure the program for next week.

Mr. McCORMACK. Mr. Speaker, on Monday three District bills will be called up for consideration:

H. R. 11968, involving the purchase of gun mountings and gun carriages.

H. R. 12327, involving increased compensation for the District Commissioners, and

H. R. 3015, to establish a Workmen's Compensation Act for the District of Columbia.

Also on Monday there will be a call of the bills on the Consent Calendar.

The following bills will be called up under suspension of the rules:

S. 3958, Health Amendments Act of 1956.

H. R. 12080, omnibus rivers and harbors and flood control projects.

S. 3879, automobile dealers, bring suit for damages.

S. 1644, Federal Construction Contract Act—subcontractors.

H. R. 9065, increase benefits, railroad retirement bill of 1937.

S. 3391, transportation of migrant farm laborers.

H. R. 6536, Philippines, Foreign Claims Settlement Commission.

S. 3481, amend Foreign Service Act of 1946, as amended.

H. R. 5894, amend, United Nations Educational, Scientific, and Cultural Organization; provide funds and gifts.

H. R. 12033, appropriation Pan American games, Cleveland.

S. 2569, basic authority for the State Department.

S. 3116, participation in International Fairs and Festivals.

House Joint Resolution 659, authorization—appropriation—World Health Assembly.

S. 3430, create National Library of Medicine.

H. R. 8384, marketing orders—cranberries for processing.

H. R. 11833, agriculture, Great Plains conservation program.

H. R. 11682, Department of Agriculture Organic Act.

Of course, we will probably have another suspension day during the week. I am giving the number of all of these bills. I realize probably all of them cannot come up for consideration, but they will be in order for consideration if we get a suspension day later on in the week.

Mr. MARTIN. Mr. Speaker, may I ask the gentleman what happened to the civil rights bill?

Mr. McCORMACK. Well, of course, that rollcall comes up Monday. That is understood without being mentioned. That is the first order of business, and I thank the gentleman for making the inquiry.

There will be eight contempt proceedings called up on Wednesday.

For the balance of the week the program is as follows:

H. H. 12061, Atomic Energy Commission. That is the civilian atomic power bill.

H. R. 12350, second supplemental appropriation bill, 1957.

H. R. 11742, Housing Act of 1956.

H. R. 8000, amending section 610 of the Civil Aeronautics Act of 1938.

H. R. 3, State laws, establish rules of interpretation.

S. 3338, if a rule is reported, relating to rates on certain Federal projects.

H. R. 8902, reinvestment of proceeds from the sale of property; air carriers.

H. R. 7726, to construct the Crooked River Reclamation Project.

H. R. 7435, to construct the Farwell unit, Nebraska.

H. R. 11799, relating to the Fair Labor Standards Amendments Act of 1956.

H. R. 12050, to amend the Atomic Energy Act.

H. R. 9743, Atomic Energy Commission, Public Utility Holding Company Act.

H. R. 11709, increase authorization of appropriation, Atomic Energy Commission.

H. R. 4054, marketing facilities, perishable commodities. That has been partially through the Committee of the Whole.

H. R. 412, to construct the Fryingpan-Arkansas project.

H. R. 12227, to amend the Tariff Act of 1930, import duties on wool.

It does not necessarily follow that these bills will be called up in the order I have stated them. Then, of course, there is the usual reservation about conference reports, and any further program will be announced later.

Mr. MARTIN. I thank the gentleman.

Mr. BUDGE. Mr. Speaker, will the gentleman yield?

Mr. MARTIN. I yield to the gentleman from Idaho.

Mr. BUDGE. Could the distinguished majority leader advise me why the bill H. R. 8750, to authorize the Little Wood River project in Idaho, on which a rule was granted July 12, is not on the list of suspensions?

Mr. McCORMACK. I am unable to advise the gentleman now.

Mr. BUDGE. Would the gentleman advise me at some later date? Can I expect any action on the bill?

Mr. McCORMACK. I am very glad the gentleman called the bill to my attention, and I will discuss it with him.

Mr. BUDGE. I would appreciate the gentleman's consideration of it.

Mr. McCORMACK. All the gentleman has to do is come and talk with me. No Member has any hesitancy in talking with me.

Mr. BUDGE. If the gentleman will recall, I just discussed the matter with him about 15 minutes ago.

Mr. McCORMACK. Now, wait a while. Let us get the record right. The gentleman was talking with the minority leader when I happened to be in close proximity, and you had the number of the bill on a slip of paper. I made a certain observation to you, did I not?

Mr. BUDGE. Yes, and I recall the gentleman's observation.

Mr. McCORMACK. All right. Why do you not follow the observation?

Mr. BUDGE. I have attempted to.

Mr. McCORMACK. Well, that is fine.

Mr. Speaker, since having the colloquy with the gentleman from Idaho [Mr. BUDGE] in relation to the bill (H. R. 7850) to construct and operate Little Wood River reclamation project, I have looked into the matter and since a rule has been granted on this bill I am including it in the program for next week.

FEDERAL FLOOD INSURANCE ACT OF 1956

Mr. SPENCE. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (S. 3732) to provide insurance against flood damage, and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the con-

sideration of the bill S. 3732, with Mr. WILLIS in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

Mr. SPENCE. Mr. Chairman, I yield myself 5 minutes.

Mr. Chairman, this is a bill to provide insurance against damage by flood. This is a pioneer bill whose operation will be in unexplored territory.

I have a peculiar interest in the bill because my district in Kentucky borders the Ohio River for 250 miles, and in the last 90 years there have been 45 major floods along that river. The one in 1937 caused damage which was estimated by the Army engineers to be \$1,200,000,000.

I know the apprehension and the fear of the people living along that treacherous and unpredictable river. I am hopeful that we can obtain some insurance for them that will relieve those fears and will in some manner compensate them for the damages they sustain.

The gentleman from Massachusetts, [Mr. O'NEILL] made a very clear and convincing statement in regard to the bill when the rule was considered. Some of the Members expressed apprehension in regard to the limits of the insurance stated in the bill—\$5 billion for direct insurance and \$2 billion under the provision for loans. That does not mean an appropriation and that does not mean actual cash. This refers to a potential liability that will never occur. Some private insurance companies now have insurance outstanding greatly in excess of the figures contained in the bill. In New England there is the factory group of insurance companies which has outstanding insurance in excess of \$50 billion. This bill does not contemplate the invasion of private enterprise. We have endeavored to get the insurance companies to go into this field. They will not go. The only way the people can obtain insurance that will protect them and give them peace of mind is by the Government entering this field. The Government will assume 40 percent of the cost of the insurance. There is a provision in the bill that would give the Administrator discretion to make the Government contribution higher than the 40 percent in the high-cost areas such as those along the Ohio River. However, I feel even with this provision that the rate will not be low enough to justify the people I represent to purchase the insurance.

The actuarial experience there is bad, but the actuarial experience in the Eastern States is not so bad. I think probably in the Eastern States the rates will be low enough to justify the purchase of the insurance.

This is a meritorious bill for I know what insurance will mean to people who are the victims of flood disaster. The program will not cost anything like the amount which some of the Members have feared. The potential liability of all insurance companies is great. This is an experimental program. It is one that might result in great good to our people. It is a program that could bring them a sense of greater security and peace of mind.

I hope we will pass this bill and from experience through the years work out a program that will operate without cost to the Government and furnish insurance with premium payments within the reach of all who need insurance.

Mr. WOLCOTT. Mr. Chairman, I yield 5 minutes to the gentleman from Massachusetts [Mr. NICHOLSON].

Mr. NICHOLSON. Mr. Chairman, I do not mind the gentleman from Indiana or the gentleman from Texas getting up and asking about the provisions of this bill. This bill is not going to set the world on fire. It is not going to hurt anybody in the United States, in my opinion.

I think we have brought forth the best we could do with the hearings we have held, some sort of skeleton of a bill that the insurance companies and we and anyone interested can look into and bring out some kind of a proper measure that will not hurt the Government or the insurance companies, either.

Our experience with hurricanes on Cape Cod and in other parts of Massachusetts is that we never had one, and if we did, it was a hundred or more years ago, until 1928. We had one then and thought that was the last one. But we had another one in 1944. Those two were enough to last us for another hundred years.

Mr. BOGGS. Mr. Chairman, will the gentleman yield?

Mr. NICHOLSON. I yield to the gentleman from Louisiana.

Mr. BOGGS. I come from a section of the country where we have had hurricanes for a long time. I do not see how this legislation could conceivably hurt the insurance companies. The insurance companies will not write insurance on this type of damage.

Mr. NICHOLSON. That is just why we passed this bill with some Government promise in back of it that they would help out the insurance companies if they needed it. I am not an insurance man, but I say that with two hurricanes in a hundred years no insurance company could lose too much money if they had enough premiums to pay for it. But that is beside the question. When we have one of these hurricanes you people all over the United States start crying about what a terrible thing it is, but all we get is tears. The President sent us word he would do everything under the sun to help us.

Mr. DODD. Mr. Chairman, will the gentleman yield?

Mr. NICHOLSON. I yield.

Mr. DODD. Is it not a fact that the President came to Hartford and suggested this type of legislation?

Mr. NICHOLSON. I did not know that, but I would not be surprised.

Mr. DODD. I know—I was there.

Mr. WOLCOTT. Mr. Chairman, will the gentleman yield?

Mr. NICHOLSON. I yield.

Mr. WOLCOTT. Just for the purposes of a correction, the gentleman from Connecticut said the President came to Hartford and suggested this type of insurance. It is not my understanding that the President at Hartford,

or anywhere else, ever suggested this type of insurance.

Mr. PHILLIPS. That is correct.

Mr. DODD. Mr. Chairman, will the gentleman yield to me?

Mr. NICHOLSON. I yield.

Mr. DODD. I was at the meeting at Bradley Field along with several Members of the House from the New England area. Some Members of the other body were also present. We discussed flood insurance with the President. He said he thought it was a good idea and, after a conference, he made a statement recommending that we adopt some legislation of this kind.

Mr. PHILLIPS. Mr. Chairman, will the gentleman yield?

Mr. NICHOLSON. I yield.

Mr. PHILLIPS. Just so we may have a complete understanding of what the situation was, the President did say, just as anybody would say, "Would it not be good if we had insurance against this?" But, did the President ever recommend a bill as loosely drawn as this with a provision in the bill to reduce the amount of the premium, something I have never heard of in any insurance-policy provision. When I go to buy or ask for insurance on my house, I say, "Well, look Mr. Agent, I cannot pay that much," no agent has the right to reduce my specific, individual insurance. That is in this bill. I am not saying that insurance is not good, Mr. Chairman.

Mr. NICHOLSON. All we are asking for is an opportunity to have this act put on the statute books so that we may be able to do something about it. The gentleman from Louisiana says they have hurricanes down in Louisiana; well, they probably do, but they do not have them like we have.

Mr. MULTER. Mr. Chairman, will the gentleman yield?

Mr. NICHOLSON. I yield.

Mr. MULTER. I would like to correct the statement made a moment ago about the insurance premium. The Administrator would have no right to reduce the premium on any policy when it is issued. He is going to make the rates that apply in all policies and once the policy is issued—that is the rate.

Mr. PHILLIPS. That is not what it says in the bill.

Mr. MULTER. I suggest that the gentleman read the bill again.

Mr. PHILLIPS. I will read it to you.

Mr. BOGGS. Mr. Chairman, will the gentleman yield?

Mr. NICHOLSON. I yield.

Mr. BOGGS. I am no longer a member of the Committee on Banking and Currency. I had the pleasure of serving on that committee for many years, and it was my observation then and I have no reason to change my mind, that it was a very fine committee and one which considered legislation very thoroughly. It seems to me that what the situation here is that in the case of floods, principally floods, and, of course, what you are talking about in this bill, I presume, are the floods caused by hurricanes as well as by other acts of nature, that in such cases as that there is no way to write insurance with the private insurance companies; is that not so?

Mr. NICHOLSON. What I am trying to say is that we will not be writing any insurance next year on this year. All we are trying to do is to get something on the statute books so that we can get together, with the commission that is formed, and the insurance companies, and see if they can form some plan. We do not know whether they can or not. Certainly, this is sort of a shot in the dark what we are trying to do now because it is something new and something that has never been done before. We cannot do like Hiawatha, you know—grow up overnight and jump full grown out of a tree.

Mr. BOLAND. Mr. Chairman, will the gentleman yield?

Mr. NICHOLSON. I yield.

Mr. BOLAND. What the gentleman says is exactly right. This is an experiment. After the rates have been established by the Administrator, or after the Housing and Home Finance Administration establish the rates, then it will be determined exactly how many people will purchase the insurance, and if enough people purchase the insurance, and if it is spread over a great number of people, of course, the rate will be lower and the subsidy which the United States Government will pour into this will be lowered too. There has to be a subsidy here. We are not going to have any flood insurance at all unless the Federal Government steps in with a subsidy, and that is precisely what this bill provides for.

Mr. NICHOLSON. Mr. Chairman, I know that the people of New England want something done and this probably is the best we can do now. It is not very much, but it is a start.

Mr. MARTIN. Mr. Chairman, will the gentleman yield?

Mr. NICHOLSON. I yield.

Mr. MARTIN. I want to bring out the fact that I believe it is well known and well recognized so far as the position of the President is concerned that he is for legislation of this type.

He believed that there should be some flood insurance. He has not endorsed any particular bill at this time but he does want some legislation. Is not that the way the gentleman understands it?

Mr. NICHOLSON. The gentleman is correct and that is all we want; just some legislation. We do not expect to get something for nothing and do not expect anyone to hand out all these millions and billions that have been spoken of.

Mr. PATTERSON. Mr. Chairman, will the gentleman yield?

Mr. NICHOLSON. I yield.

Mr. PATTERSON. We are not asking for something for nothing; in fact, New England asks for very little.

Mr. SPENCE. Mr. Chairman, I yield 3 minutes to the gentleman from Connecticut [Mr. DODD].

(Mr. DODD asked and was given permission to revise and extend his remarks.)

Mr. QUIGLEY. Mr. Chairman, will the gentleman yield for a consent request?

Mr. DODD. I yield to the gentleman.

Mr. QUIGLEY. On behalf of my colleague from Rhode Island [Mr. FOGARTY]

I ask that he may extend his remarks following those of the gentleman from Connecticut [Mr. DODD].

The CHAIRMAN. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

Mr. DODD. Mr. Chairman, the time at my disposal this late in the afternoon does not permit me to say very much about this very important subject. I want to make clear my own remarks about the President's interest in this kind of legislation. I agree with the minority leader that the President has not offered this specific legislation. But, remember that the President said, or my recollection is that he said, it would be a good idea to have legislation on this matter. I remember this because I suggested this kind of legislation to the President in our meeting and he said he thought I had a good idea.

Mr. MARTIN. I know he is very hopeful to have legislation on the subject.

Mr. DODD. I come from a State where we have many great home insurance offices. I have been working on this business of flood insurance for about two years. I started on it after the disastrous flood and hurricane of 1954. I have talked with a great many people whom I believe are well qualified in this field and got the best advice I could.

I think the committee has come up here with a good bill. I do not think it is letter perfect. It is extremely difficult to write legislation of this kind. But we are faced with recurring disasters on a very wide scale. There were floods in Maryland only last night with six people drowned. I do not know what the property loss will be, but I fear it will be large. We have had floods in the Far West, we have had floods over the Middle West, we have floods in the South, so this is not just a New England problem at all.

If the private insurance companies could write this kind of insurance on a profit basis they would certainly do it, but they are not able to do it.

In the New England floods of last year we suffered an enormous loss of money and life. I think the important thing to remember is that we the people of the United States, are paying for it anyway. This is actually so. The Federal Government had to go in there and spend millions of dollars in one way or another to try to get these people who were wiped out back on their feet. It is not an easy situation to handle. You cannot disregard a disaster area, you cannot ignore the people who have been flooded out, you cannot say to them: "It is just too bad; you lost your home, many of your people lost their lives, but we cannot do anything about it."

Now we come forward with a plan to try to meet in an equitable way the severest effects of these disasters.

How much it will cost we do not know, but we do know from past experience that a very essential consideration is to get this coverage on a broad basis. If you have people in the New England area only subscribing to it that is a narrow base. If you have the people in the Ohio Valley participating in it the base has been broadened, and then if you

bring in the people of the Far West and the South you have a really broad base and some chance of bringing the premiums down to a reasonable level.

Mr. Chairman, after the terrible destruction of last year's August flood, a great number of people in Connecticut and other Northeastern States were most anxious to purchase some form of flood or disaster insurance to protect their economic well-being in the event of another flood.

There was obviously a large market for flood insurance, but private insurance companies were unable to offer the necessary protection due to the enormous risk factor.

Less than 2 months after last August's disaster, another devastating flood struck the same area, and again no insurance was in effect to lessen the terrible loss suffered by so many homeowners and businessmen through no fault of their own.

It is apparent that private citizens and private enterprise cannot for long sustain such great economic losses without it having an extremely detrimental effect on the overall economic condition of some of the Nation's most productive areas. However, private insurance companies are not to be considered delinquent in failing to offer insurance contracts that would cover floods or other natural disasters. Private insurance institutions, although sympathetic to the needs of the country, cannot accept risks that might bring about bankruptcy and destroy the protection against other losses presently being given existing policyholders.

It is not the nature of Americans to be content with the mere hope that in the event of disaster the Government will furnish relief. It is rather their nature to sustain their economic position by insuring against loss by paying a fair and reasonable premium rate for insurance protection.

Now that it is apparent that private enterprise will not be able to undertake a program of either flood or natural disaster insurance and the recent floods have pointed out the great need for such protection, it is clearly the responsibility of the Federal Government to meet the need of its people by undertaking a disaster insurance program.

The risk factor involved with flood insurance or disaster insurance cannot be accurately determined at this time due to the lack of adequate actuarial information. Due to the imponderable risk factor, private insurance companies are reluctant to offer a flood insurance policy to the public, and if they were willing to accept the risk it is realized that the premium rate might necessarily be prohibitive.

Because the Federal Government is obligated to promote the general welfare of its people, it does not work under the same criteria as private insurance institutions do. When the Government undertakes a program such as disaster insurance it obviously would not be doing so with the intent of making a profit. Rather than hoping to make a profit, the Government in meeting a need of its people would expect to expend reasonable funds to meet that need.

The problem, however, is how much money should the Government spend on a disaster insurance program, or whether or not in promoting the general welfare, Federal funds could be better spent on flood prevention measures. Of course, as more flood prevention measures are put into effect the risk factor will be diminished, and when the risk is lowered to a reasonable degree, it can be expected that private insurance institutions will be able to offer flood or disaster insurance policies in the same way that they presently offer life or fire insurance.

The problem is basically to find a solution to the problem of how the Federal Government can offer some degree of economic protection against natural disasters to all its people and still do so without expending large Federal subsidies.

It must be realized that no panacea to this problem will be found. When a disaster such as a flood strikes, a great economic loss is inevitable. It is my belief that this bill will furnish a means by which that loss can be equitably shared. This bill cannot be expected to solve all the problems, but it is hoped that it will furnish the legislative means by which many of the problems can be lessened.

Mr. MACDONALD. Mr. Chairman, will the gentleman yield?

Mr. DODD. I yield.

Mr. MACDONALD. I want to compliment the gentleman for the fine speech he is making and ask unanimous consent that I may extend my remarks following those of the gentleman from Connecticut.

The CHAIRMAN. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Mr. PATTERSON. Mr. Chairman, will the gentleman yield?

Mr. DODD. I yield to my colleague from Connecticut.

Mr. PATTERSON. Are we not just trying to set up some kind of schedule or program that we can follow in order to give a little more security of life to people in a district like mine which the gentleman knows so well?

Mr. DODD. Yes. The gentleman's district was very badly damaged.

Mr. PATTERSON. Mr. Chairman, it would be useless for me to cite the urgent need for Federal disaster insurance; for I am sure that every Member of this House is fully aware of the millions of dollars in property losses suffered in the flood disasters of last August and October, and the more recent floods that occurred in California.

In my district—the Naugatuck Valley of Connecticut which was the worst hit of all flood-devastated areas—there were many persons who had worked hard for many years to earn and own a home, only to see the fruit of their labor float pathetically down the turbulent rivers. They had no insurance on their homes, and hence in many cases the savings of a lifetime vanished overnight by a single stroke of nature. The reason was that they had no insurance on their homes, because flood insurance is not obtainable from private insurance companies. In sharp contrast, without difficulty a person can obtain insurance from private

insurers against losses incurred by fire and certain other disasters, but not against floods.

Therefore, in areas such as the Naugatuck Valley and other flood hazard areas, even after a devastating flood there is initial reluctance on the part of homeowners to rebuild their homes because they live in constant fear that a similar tragedy may strike any time without warning.

Now I realize that the foremost necessity for protection against losses incurred by floods is not a flood insurance plan, but rather a foolproof flood control plan that would protect our citizens against future floods. With this there would be no need for flood insurance. This, of course, is presently being worked out by our engineers with the support of the Congress, State, and local officers; but unfortunately, such a flood control plan cannot be put into operation overnight, and may require a number of years before becoming a reality.

Therefore, in the meantime it is the duty of this Congress to afford our citizens with protection against flood devastation until persons in flood hazard areas are certain that floods will not occur in the future.

Mr. RIVERS. Mr. Chairman, will the gentleman yield?

Mr. DODD. I yield to the gentleman from South Carolina.

Mr. RIVERS. I and those from my section of the country are very deeply impressed by the presentation the gentleman from Connecticut is making, and also by the great amount of work he has done on this subject.

Mr. DODD. I am very grateful to my friend who has been most helpful on this and many other problems.

Mr. FOGARTY. Mr. Chairman, I am more than just pleased to have the opportunity to lend my support to the passage of this bill, S. 3732, the Federal Flood Insurance Act of 1956.

During my time in Congress I have frequently talked to Members who represent districts which have known the disastrous effects of rampaging flood waters. I have made known to them my sympathy for the sad plight of their constituents and I have offered to help in any way that I could. However, not until the hurricane borne floods of 1955 struck my State did I gain a full appreciation of the stark horror which they can and do leave in their wake.

Why, in one city in my State there is a stream which for years has been crossed and recrossed daily by thousands of people. Scarcely an individual ever took the time to grace this meandering river with a side glance. It had never bothered anyone as it wended its way down to the sea.

Then, during the dark of night it rose beyond heights ever dreamed of by any of the people of the city and it struck old and young alike—old people and young people, old property and new property—in a nightmarish frenzy which almost succeeded in wiping out the entire center of a substantial industrial city.

In its wake it left such economic chaos that no one who dispaired would have been criticized. But with indomitable will these people, with traditional New

England stick-to-itiveness rebuilt homes and their highways; their mills and their shops. The passage of this bill today, in my mind, serves a double purpose. The Congress can say to these great people, "We admire and respect you for what you have done in the face of adversity." And the Congress also can say "We want to do what we can to make certain others do not have to suffer the economic distress which was yours."

I think this bill is a step in the right direction. The insurance and reinsurance provisions of the legislation are particularly to my liking, especially the House Banking and Currency Committee's amendment which would make insurance available at special rates to homeowners who could not afford to pay the rates otherwise chargeable under the bill.

This legislation has been subject of careful study by committees on both sides of the Capitol. It is a compromise admittedly, but a compromise that is worthy of our sincere support, I urge its passage.

Mr. MACDONALD. Mr. Chairman, today the House begins consideration of S. 3732, a bill providing for insurance against flood damage. I want to take this opportunity to commend highly the excellent work of the House Banking and Currency Committee. They together with the Senate Banking and Currency Committee have compiled an impressive and invaluable record which has furnished the Congress and the American people with the facts needed to enact an intelligent, workable Federal flood-insurance program. A program which, while providing adequate protection against the economic rigors of flood loss, will nevertheless be completely consistent with the principles of our American free enterprise system. I also want to congratulate the Democratic leadership of the House for scheduling this legislation, as I have felt for some time that flood insurance deserved to rank high on the list of priority legislation before the 84th Congress adjourned.

Before discussing the merits of the bill I would like to say that all of my colleagues, I am sure, are well aware of the reasons behind this proposed legislation. I am sure you remember that last year the unprecedented flooding of cities and towns in the Northeastern area of our country caused great personal suffering and enormous property losses. While damages have been estimated to run as high as \$2 billion, only between 5 and 10 percent of the losses caused by those floods were covered by flood insurance. Obviously, the absence of flood-insurance coverage inevitably hinders the ability of a stricken area to recover. People cannot easily rebuild their ravaged homes. Businesses and factories are not speedily put back into full production. Economic activity is slowed down and the natural growth and progress of the economy is seriously impeded. And, let us never forget, when the productive capacity and economic well-being of one section of the Nation is thus dislocated, all of us ultimately suffer.

It is my belief that the events that have transpired in the last year have

only served to highlight and dramatize the self-evident fact that a Federal flood-insurance program is sorely needed throughout the length and breadth of the United States. Under the present conditions, the insurance industry is apparently unable to provide adequate flood insurance at reasonable rates. I am not criticizing the insurance industry. There are excellent reasons why the prudent management of existing insurance funds and reserves militates against the development of flood insurance by private industry. Risks of loss by flood are in many respects far more difficult to estimate than risks of loss by fire. The absence of sound actuarial data and experience records, the primary difficulty of providing adequate initial reserves, the relatively heavy expense of engineering surveys with reference to flood risks, the lack of prospect of early profit—these, and many more sound business reasons, have been advanced, and justifiably so, by insurance companies to explain their inability to operate in the flood-insurance field.

But the outstanding and undeniable fact of cardinal significance to all of us is that at the present time indemnification for flood losses is either highly inadequate or totally nonexistent. The American people are not now sufficiently protected from the catastrophic consequences of flood losses. Here, obviously, is a situation which we cannot continue to tolerate without great damage to the welfare of our people. Here is an area in which the Federal Government must assume its proper responsibilities in promoting the general welfare.

Mr. Chairman, I need not remind the Members of this House that the problem of flood insurance is not a new subject of congressional concern. In fact, as you well know, there exists a valuable backlog of practical experience in the area of Federal insurance and reinsurance programs. I am referring, of course, to war-damage insurance, maritime war-risk insurance, and crop insurance. Moreover, the merits of a national system of flood insurance have been recognized for a long while. As early as 1939, Dr. Gilbert F. White, then secretary of the Water Resources Committee, later the National Resources Planning Board, in a report stated that—flood insurance offers a practicable means for stabilizing economic life in flood plains in which neither complete protection nor permanent evacuation are desirable or immediately practicable. Indemnification of flood losses is not obtainable generally in the United States, and it would be difficult to establish. Requiring wide distribution of risks, long-term contracts, and continued stimulation of interest, it probably never would be conspicuously profitable or suitable for private financing without governmental aid. It has great merit, nevertheless, as a substitute for the haphazard system of private liquidation and public-relief subsidy by which flood losses now are absorbed.

We in the hard-hit New England area are particularly apprehensive about the continuing threats which the prospect of more rampaging floods hold to the

economic life of our community. To our way of thinking, prevention of floods is—much more valuable and important than insurance against floods. Yet we are acutely conscious of the agonizing State of double jeopardy in which we live.

I sincerely hope that this Congress will approve S. 3732 which provides for an experimental program to provide insurance and related forms of financial protection against flood losses. The bill authorizes the Housing and Home Finance Administrator, first, to issue Government insurance policies against property losses due to flood; second, to reinsure flood loss policies issued by other insurers, and, third, to make contracts with private individuals and business concerns assuring them, in the event of any subsequent flood loss, of a line of credit to assist in restoring or replacing damaged or destroyed property.

The substitute amendment adopted by the House Banking and Currency Committee differs from the bill passed by the Senate in four major respects:

First. The Administrator would have discretionary authority to offer insurance at special reduced rates to homeowners who could not afford to pay the rates otherwise chargeable under the bill.

Second. The insurance and reinsurance programs authorized by the bill would be supplemented by a loan-contract program to provide an assured line of credit to potential flood victims.

Third. The States would not be required to contribute to the insurance reserve fund established under the program.

Fourth. Responsibility for administering the program would be vested in the Housing and Home Finance Administrator, rather than an independent Federal flood-insurance commissioner.

Mr. Chairman, I reemphasize my strong feelings that the basic principles and objectives of this legislation are just and reasonable. The need for its enactment is most urgent. It is the duty of Congress to face up to this need and to act accordingly, without further delay. The Federal flood-insurance program set forth in the measure now before us is intended to blaze the trail and establish the actuarial and other experience needed to show, if it can be shown, that flood-risk insurance can be offered by private companies on a commercially feasible basis. At the same time the bill recognizes the need to control within reasonable limits the financial risk to which the Government will be exposed. This has been done by making this program an experimental one, with strict limits on the amount of insurance that can be written and the amount of coverage any individual, corporation, or Government entity can acquire from the Federal Government.

In conclusion, Mr. Chairman, let me say that if this Federal flood-insurance problem is to be met, without heavy Federal subsidies, increased relief expenditures, and continued loss of homes, productive facilities, and morale, Congress must enact the measure that is now before the House.

(Mr. SADLAK (at the request of Mr. TALLE) was given permission to extend his remarks at this point in the RECORD.)

Mr. SADLAK. Mr. Chairman, it is hoping too much to expect unanimity to the proposal before us at this time, namely, S. 3732, to provide insurance against flood damages, and for other purposes; my bill is H. R. 8277. However, there will or should be very little disagreement with section 2 of this Federal Flood Insurance Act of 1956 in which are contained the findings and declaration of purpose. This section, especially subsection (a), provides undisputable basis for the need of the action which is contemplated by this proposal.

Unfortunately, the impetus to seeking favorable action along the lines of today's proposal for us in Connecticut was provided only a short time ago in 1955 when havoc was wrought by unusually heavy rains that were a concomitant of hurricanes that did not wreak their customary damage to life and property from winds of high velocity, but rather through the overflowing of rapidly filling small brooks and streams which force the banks could not withstand. However, neither Connecticut nor New England nor its immediate neighboring States, nor the far western States have a history of disasters of this type. The pattern has, in the nature of things for reasons as yet undetermined, brought this unprecedented flood of small streams following a hurricane to these areas.

Engineering protective works, now in their initial stages, designed against a repeat disaster in the previously affected areas cannot be completed for some years to come. Therefore a recurrence, and we hope we shall never again be visited by like storms, could meantime cause very large loss of life and serious damage which could not be withstood by individual home owners and industry.

This bill, in addition to the protection that it can provide to the participants, can be the forerunner of private sponsorship with a minimum of Government participation.

I urge the favorable passage of this legislation.

(Mr. PATTERSON asked and was given permission to revise and extend the remarks he previously made.)

Mr. WOLCOTT. Mr. Chairman, I yield 5 minutes to the gentleman from New Jersey [Mr. CANFIELD].

Mr. CANFIELD. Mr. Chairman, it is my distinct recollection that after President Eisenhower flew over the northeastern part of our country following the disastrous floods of last year, he expressed his deep concern over their awfulness. He indicated very pointedly that he saw therein a Federal responsibility. He followed up his statement by recommending to the Congress legislation of the character we are now considering. I introduced a bill with other Members of the House in the first week of the current session of the Congress.

Mr. WOLCOTT. Mr. Chairman, will the gentleman yield?

Mr. CANFIELD. I yield to the gentleman from Michigan.

Mr. WOLCOTT. I may say to the gentleman that I have conferred with him on several occasions, especially after he introduced his bill. I know his deep sense of responsibility to his people and his area. The committee, I am sure, can join with me in saying that we are very grateful to the gentleman for the contribution he has made in making it possible to get this bill up today for consideration.

Mr. CANFIELD. I appreciate very much the gentleman's statement. The bill introduced by myself was similar to the bill introduced by the distinguished gentleman from Michigan [Mr. WOLCOTT]. I am glad to note that in the bill before us there are 31 sections identical with those in my bill.

Mr. Chairman, as a nation, we cannot longer afford to withhold some degree of economic protection from our citizens who live and earn their livelihood in the flood areas. And since the private insurance companies, after careful analysis, find it impossible at this time to justify the writing of some kind of indemnity against floods, the Government feels obliged—however reluctantly it may do so—to assume the burden of providing a method whereby flood victims may be indemnified.

During the past few years—and especially in the course of the late summer and autumn of 1955—we have witnessed the tragic destruction of lives and property in widely separated portions of our country. Hurricane and unexampled rainstorm have wrought havoc in hundreds of communities, brought ruin to thousands of individuals, and, directly or otherwise, disrupted the economy of millions of Americans. The combined forces of wind and water, unpredictable in their fury and points of incidence, can no longer be regarded as freakish hazards peculiar to certain regions of limited extent. They must be thought of as a nationwide menace—for they threaten, almost without exception, every State in the Union. And not a single State, in justice to its citizens, can properly ignore the existence of the menace.

Now I repeat that the Federal Government has turned to the legislative experiment, for experiment it will be, with reluctance. We would prefer to let the insurance industry cope with the problem. But private underwriters, after the most thoughtful analysis, have concluded that flood insurance cannot at this time, and under the present circumstances, be written on a self-sustaining basis. They are, however, interested and cooperative.

We respect the judgment of the private carriers. We admire their prudence. But the insurance industry has not solved the problem. It has, instead, clarified the course that must be followed: Since private industry cannot properly and soundly take on the job now, Government must take it on. For the job must be done, and we dare not longer postpone it. The season of winds and rain, of flood and destruction, is close at hand—last night's storm was a gentle warning of what may soon follow. Let us pray and hope that we may be spared more violent weather this year. But let us also face

our deep responsibility to provide a measure of indemnity for the victims of nature's unpredictable fury.

Mr. Chairman, it should be emphasized that this bill authorizes the Administrator to provide Federal assistance for flood insurance by issuing direct Federal insurance policies or by reinsuring policies issued by other insurers. The bill provides for a continuing study of the feasibility of having private insurance companies take over the insurance programs under the bill, either with or without Federal aid. I cannot help but feel the time will come when private enterprise will be able to go a long way in meeting this serious problem.

Mr. CRETELLA. Mr. Chairman, will the gentleman yield?

Mr. CANFIELD. I yield to the gentleman from Connecticut.

Mr. CRETELLA. I want to associate myself with the remarks of the gentleman from New Jersey [Mr. CANFIELD]. He has done a remarkable job on this legislation.

I also want to call the attention of the House to this: Someone made the statement that authority did not vest in the administrator to reduce these fees. Here we find this language on page 29:

Provided, That no insurance policy shall be issued for a fee less than 60 percent of such "estimated rate," except that reduced fees may be established for insurance on any classification of owner-occupied dwelling units if the Administrator determines that without such reduction the owners of such dwelling units as a class could not afford to pay the fees chargeable for such insurance.

Mr. Chairman, we have before us today a bill which is of urgent importance to the people of Connecticut, New England, and those of other sections of the country which are and have been hard hit by floods.

Since the August and October floods of 1955 in Connecticut, my State has gone forward with a dynamic program for the rehabilitation of her stricken citizens and the replacement of homes and personal property. Private organizations have been given their best efforts, and assistance was also offered and well received from as far away as Spain.

But no matter how well any State meets the crises of such disasters, she is not able to fully bear the gigantic costs of rehabilitation in floods of such exceptional force and magnitude.

I pointed out to the Banking and Currency Committee, which studied disaster insurance legislation, in consideration of my bill, H. R. 8248, for Federal flood insurance, and the Bush-Lehman bill, that disaster relief among the various States is far from uniform, and that some States in need of assistance face constitutional barriers prohibiting such aid to her stricken residents.

A practical solution to the problem of meeting with such disasters is the bill before us today, S. 3732, for a Federal insurance program. One of the salient features of such a bill is that while it provides insurance to individuals and families who have lost their property and possessions, the bill actually would save the Government millions

annually in tax losses. In 1952, for example, taxpayers deducted over \$367 million from their individual returns as unreimbursed losses due to floods and other disasters. This is besides the loss of corporate and excise taxes of companies and businesses washed out and the loss of various taxes to stricken States.

The only answer to flood insurance lies with participation by the Federal Government. It has been proven that private insurance companies are unwilling to assume the risks of this program by themselves. I concur strongly in the fundamental concept that the Government should do for the people only what they individually or collectively cannot do better for themselves. This is such a case, clearly pointing to the obligation of the Federal Government to step in and provide assistance to those needing it as it has been doing in so many other instances in the form of public works aid, Federal crop insurance, bank deposit insurance, veterans' life insurance, and the like. It is obvious that insurance has gained wide usage in many Federal programs.

It is highly possible that this Government pilot program will show flood-risk insurance can be offered in the future by private insurance companies on a commercially feasible basis. S. 3732 is purely an experiment. It is a cautious program limiting the risk to which the Government will be exposed. It limits the amount of funds available and the amount of coverage any individual or company can acquire. There is a loss deductible clause of \$100, plus 5 percent of the rest of the claim. The premium rate and the terms of any policy issued by private companies on the basis of Government reinsurance are made subject to the approval of the Housing and Home Administrator.

The total face value of the insurance to be written is \$3 million or \$5 million with the approval of the President. Actually this ceiling is not exorbitant in terms of the damages caused by floods. In both 1954 and 1955 flood damage exceeded \$800 million.

Although I am strongly in favor of the general intent of this legislation, and the help it would give to the stricken, there is at least one feature to which I had objected but which of course would not cause me to vote against the entire bill. This deals with the provision that reduced fees may be established for insurance on any classification of owner-occupied dwellings if the Administrator determines that without such deduction the owners could not afford to pay the standard rates. This provision of the bill is at the expense of the tenant who can ill afford to sustain losses to his personal property and belongings. It is an unfair provision and one which could cause all sorts of difficulty and confusion if the Government were to pay up to 100 percent of the premium rate for the owner-occupant group.

This flood insurance and reinsurance bill is a practical answer to a perennial problem. It is a simple matter of the Federal Government working hand in hand with private enterprise to provide

a measure of aid for the thousands of families victimized each year by the ravages of turbulent, destructive, and disease-laden flood waters.

I hope the Members of the House will vote overwhelmingly for this bill. It is a bill which the people in my State of Connecticut and other States need so urgently for the protection and security of themselves, their families and their property. I trust that the House committee amendments have not so weakened the bill as to make it unworkable but that if it passes, and I trust that it does, a satisfactory and workable compromise may be agreed upon in conference.

(Mr. CRETELLA asked and was given permission to revise and extend his remarks.)

Mr. SPENCE. Mr. Chairman, I yield 4 minutes to the gentleman from North Carolina [Mr. FOUNTAIN].

Mr. FOUNTAIN. Mr. Chairman, I should like to say at the outset, within the brief time I have, that the Committee on Banking and Currency will not, I am sure, contend that this is a perfect piece of legislation. To the contrary, it probably has imperfections. We did the best we could, however, under difficult circumstances. No one should minimize the problem of formulating a practical program, but our committee, as well as the Senate Banking and Currency Committee, was confronted with overwhelming evidence of a desperate need of a program of Federal insurance against the risk of flood damage, because we were convincingly told by private insurance companies that they were not interested. They contended that flood insurance is impractical as a commercial proposition, that the virtual certainty of loss by flood, its catastrophic nature, and problems of making this line of insurance self-supporting prevent them from prudently engaging in this field of insurance. They say they could be bankrupt before sufficient funds were accumulated.

In spite of these facts, none of the witnesses were able or willing to give our committee any tangible suggestions for this legislation to enable us to make its provisions and their effect unmistakably clear. If you go through this bill carefully, you will find many provisions which are not to your liking, as they are not all to my liking, but they involve decisions which cannot now be made, which must await the actuarial and other experience needed to show how the program will operate, what its cost will be, what the public should be required to pay, and, if it can be shown that flood-risk insurance can be offered by private companies on a commercially feasible basis. Our committee did not find from any source information which would enable us to write all of its provisions so that we would know the result to expect. Without any history of experience in this vast field, we were compelled to do what ordinarily none of us like to do, and that is, vest in the administrator of the program much administrative discretion and authority.

At the same time, the committee has recognized the need to control within reasonable limits the financial risk to

which the Government will be exposed. This has been done by making this program an experimental one with strict limits on the amount of insurance that can be written and the amount of coverage any individual, corporation, or Government entity can acquire from the Federal Government.

If the experiment fails, I believe members of our committee would be the first to propose repeal of the law. If the administrator gets proper cooperation from experts in the insurance field, we believe this program has a good chance to become a workable program, through necessary legislative amendments from time to time. I am sure all of us hope, after the Government has blazed the trail, that private companies will take the entire program over. But, I do believe that this piece of legislation is a step in the right direction. I believe it will encourage private insurance companies to come in, and participate more actively.

I should like to invite your attention to section 17 beginning on page 37, which indicates the intention of the committee in this legislation—that the Government will do everything it can to encourage participation by private insurance companies.

Beginning on page 37, with section 17 we find the following language:

The Administrator shall also undertake a continuing study of participation by private insurance companies in the programs authorized by this act, in order that the protection it authorizes can be provided, whenever practicable, through insurance policies issued by private insurance companies and reinsured with the Administrator, in lieu of providing such protection through insurance policies issued in the name of the Administrator.

(c) The Administrator shall undertake a continuing study of the feasibility of having private insurance companies take over, with or without some form of Federal financial support, the insurance programs authorized by this act.

Mr. BROOKS of Louisiana. Mr. Chairman, will the gentleman yield?

Mr. FOUNTAIN. I yield to the gentleman from Louisiana.

Mr. BROOKS of Louisiana. I will say that the gentleman is making a very fine statement. I want to say further that I am very glad the Congress has seen fit to take up this matter. It is giving proper recognition to a most serious problem that has faced this country since its foundation. Now we are giving it the proper recognition it should receive.

Mr. FOUNTAIN. I thank the gentleman. I think it is universally recognized that throughout history floods have constituted perhaps the greatest natural disaster to man. They continue to strike widespread areas of our country with devastating impact. Notwithstanding vast losses involved, there nowhere exists in the economy of our country any method by which victims of floods can substantially retrieve their losses. Some of you may feel that your State is not or will not be involved. But it is like the mighty King, Death. No one knows where it may next strike. Floods are not confined to any particular State or group of States. Exactly where

floods may strike in a given year is a matter of conjecture, but statistics show that, in spite of all our flood-control projects, losses will occur annually somewhere within the United States.

The gentleman from Indiana [Mr. HALLECK], objected to our striking from the bill, as it came to us from the Senate, the so-called Knowland amendment which called for State participation on a 50-50 basis beginning after June 30, 1959. I am frank to say that it was somewhat difficult for me to conclude at this point that the States should not be required to participate. However, after making some investigation I concluded in my own mind, at least, until we have had experience with the program, that there are very few States, after taking care of their own public responsibilities, following the devastation a major flood, which could possibly afford to contribute to the flood insurance fund any substantial amount. Anyway, if 3 years of experience should eradicate such a necessity, then necessary amendments could be effected. In my opinion that provision would exclude many States from taking part in the program, certainly not until after they amended their constitutions. My own State of North Carolina has already made a thorough survey of its needs following the 1954-55 hurricanes. It has determined that many more millions must be spent to protect public properties in the future and to repair damages that will follow our continuing floods. Let me give you an example of what the 1944-55 hurricane damages were in my State: To agriculture—crops, livestock, farm buildings, \$184 million; forestry—tree damage, \$4 million; fisheries—capital equipment, \$4 million; and other private damages, \$112 million; public damages—State and local public facilities, public utilities, churches, and private schools, \$24 million.

While this legislation may be to some extent a leap in the dark, it is a leap in which the public is demanding that we take. It seems to me that during the next 3 years, based on actual experience, the Administrator will be in a position to know what amendments or additional legislation to suggest, or whether or not the program is workable.

We must, it seems to me, take this first step by passing this legislation.

Mr. WOLCOTT. Mr. Chairman, I yield such time as he may desire to the gentleman from Massachusetts [Mr. WIGGLESWORTH].

(Mr. WIGGLESWORTH asked and was given permission to revise and extend his remarks.)

Mr. WIGGLESWORTH. Mr. Chairman, early in this session of Congress I introduced a bill designed to provide Federal disaster insurance. I am very happy that we are able to take action in that field this afternoon, and I hope that after proper consideration under the 5-minute rule we can send an approved bill to the Senate in order that it may be enacted into law before adjournment.

I have been greatly interested in this legislation because of the unprecedented flooding of cities and towns in New England last autumn, involving great personal suffering and enormous property

loss, estimated at over \$1 billion, a very small percentage of the loss being covered by insurance.

Testifying before the Senate Committee on Banking and Currency, Gen. Robert J. Fleming, Jr., division engineer, Corps of Engineers, United States Army, characterized the damage done in New England as almost indescribable.

I was the deputy chief of staff of an Army Corps in Europe—

He said—

which was given the job of mopping up the Ruhr, in the Ruhr pocket, after the surrender of that German Army group, and one of our jobs, of course, was to restore essential public facilities. Outside of the piles of rubble which were left around on the streets from the bombing of buildings, the damage which this storm did in New England in 2 days to public facilities is just as great as we did by 3 years of bombing in the Ruhr. It is almost indescribable.

As the committee report points out, the damage caused by floods is a national problem, calling for national solution. It is not confined to any particular State or group of States. The average annual damage from floods amounts to several hundred millions of dollars.

This legislation should be enacted into law because at present, insurance against flood damage is practically unobtainable from private insurance companies.

It should be enacted into law because the need for insurance in this field is urgent.

It should be enacted into law because home owners and businessmen may be completely wiped out with little or no warning, and they should be given the opportunity to protect themselves against the financial losses involved.

The proposed legislation would enable people to pool their risks and to meet substantial losses from a common fund rather than compelling them to rely upon emergency relief.

It would also provide funds to restore property lost or damaged without the necessity of heavy borrowing.

The proposed legislation authorizes the Housing and Home Finance Administrator, first, to issue Government insurance policies against property losses due to flood, second, to reinsure flood loss policies issued by other insurers, and third, to make contracts with private individuals and business concerns assuring them, in the event of any subsequent flood loss, of a line of credit to assist in restoring or replacing damaged or destroyed property.

There is specific precedent for the proposed flood insurance program in other legislation referred to on page 4 of the committee report.

The proposed legislation will fill a much-needed gap in existing protection for our people against catastrophe. It can mean much to the country as a whole.

It has been approved in principal by the President. It has been approved by the Senate. I hope that the House will give its approval also at this time.

Mr. WOLCOTT. I yield 5 minutes to the gentleman from Pennsylvania [Dr. FENTON].

Mr. FENTON. Mr. Chairman, first of all I want to express my appreciation to the Committee on Banking and Currency of their action in bringing forth this type of legislation. I do not think it need be argued here that such a bill is in the interest of the people of the United States. I am certainly very happy to support the proposed legislation S. 3732, for which a rule was granted. I am not going to take up very much time. I think we all know the necessity for this particular piece of legislation, but I should like the attention of the Chairman for the purpose of clearing up some questions in my mind.

I have read the debate on S. 3732 when it took place on the floor of the Senate on May 10, 1956, which is quite extensive. In the definition of floods, in this bill it includes:

Floods includes any flood, tidal wave, wave wash, or other abnormally high tidal water, deluge, or the water component of any hurricane or other severe storm, surface landslide due to excess moisture, and shall have such other meaning as may be prescribed by regulation of the Administrator.

Can the chairman indicate to me just what "surface landslide due to excess moisture" means and includes? I ask this question simply because several other bills were introduced in the House, and under definitions "natural disaster" would include among other things "land subsidence due to an underground cave or manmade subterranean excavation."

Does the definition in S. 3732, "Surface landslide due to excessive moisture," include "land subsidence due to an underground cave or manmade subterranean excavation?"

Mr. SPENCE. I do not think so. It was put in to rule out subsidence.

Mr. MULTER. Mr. Chairman, will the gentleman yield?

Mr. FENTON. I yield to the gentleman from New York.

Mr. MULTER. Incidentally, the suggestion for that particular method and that language came from the gentleman's side of the aisle in committee.

Mr. FOUNTAIN. Mr. Chairman, will the gentleman yield?

Mr. FENTON. I yield to the gentleman from North Carolina.

Mr. FOUNTAIN. As I understand, the insurance companies were unwilling to give us a definition of "flood," so we worked it out the best way we could.

Mr. FENTON. We have in the anthracite coal-mining communities a situation in which our property owners are unable to secure insurance due to the mineral rights that are owned by others than the property owners. Consequently, in many communities in the anthracite-producing area hundreds of homes are damaged by mine cave-ins which are beyond the control of the individual property owners. Their homes, in which their life earnings are placed are in constant danger from mine subsidence.

As many of you know, the anthracite mines are plagued with a very high amount of water already in the mines. When we have excessive storms of flood proportions such as occurred last August, you can well understand how this situation is greatly aggravated. At any mo-

ment during high, excessive water the coal barriers—such as we have—may give way and cause a cave-in or mine subsidence to pull our homes and create great damage.

In one community in my district it has resulted in over a million dollars of property loss during the last flood together with loss of life.

I think the legislation before us is certainly welcome at this time.

Mr. Chairman, I understand that an amendment was offered in committee for surface landslides. Surface landslides due to excess moisture was the only amendment that was considered, and that was the amendment that was accepted by the committee. Do I understand, Mr. Chairman, that it does not include subsidence from mining operations? Is that correct?

Mr. SPENCE. It does not include that.

Mr. FENTON. I thank the gentleman for his information and I regret that the bill does not include "land subsidence due to an underground cave or manmade subterranean excavation."

I will support an amendment for the inclusion of such a proposal.

Mr. SPENCE. Mr. Chairman, I yield such time as he may desire to the gentleman from Rhode Island [Mr. FORAND].

Mr. FORAND. Mr. Chairman, unless you have lived through a flood or a hurricane you cannot appreciate what an ordeal it is.

You read about it and see pictures of it and your sympathies are aroused, but to use the vernacular, "You ain't seen nothing."

Mr. Chairman, I tell you from personal experience, it is a nightmare. Your morale goes to bits and your spirit leaves you. You feel for the moment that the end of the world has come.

That, in a few words, is what happened to us in Rhode Island last August and again in October. It had also happened on several occasions in the past. In 1954 the southern part of the State was hit badly. In 1955 it was the northern part that suffered.

I have here a booklet that records the 1954 hurricane disaster in Rhode Island, and a sheet of pictures of the 1955 flood. Fortunately, we of New England are a hardy type of people. We soon regained our composure and set out to reestablish our homes and our businesses, hoping that, without too much delay, the Federal Government, the only agency able to do so, would take the necessary measures to control flood damage in the future and establish a program of Federal disaster insurance, at reasonable rates, so that those who may in the future be the victims of natural disasters may be compensated, to a degree, for their losses and be enabled to rehabilitate their homes and their businesses rather than have to seek public relief.

Private insurance companies will not issue policies against flood or other water damage. It is, therefore, the responsibility of the Federal Government to do it, in view of the fact that natural disasters know no geographical lines.

When I speak of natural disasters, I mean floods, hurricanes, earthquakes,

dust storms, tornadoes, cyclones, and so forth, when the President proclaims a disaster and orders that the facilities of the Government be used to bring relief.

As an example of the need of disaster insurance let us take the city of Woonsocket, in my district, that was hard hit by the 1955 floods.

In the social district of the city hundreds of families had to leave their homes, which were badly damaged and in many instances ruined. Much of the furniture in these homes was carried away by the raging water or so badly damaged that it was no longer fit for use. Part of a large cemetery was washed away, caskets floated in the streets. Many of the caskets were broken to bits and human bones were everywhere.

Many families whose entire life savings were wiped out were left in debt and faced with starting life anew with the help of friends, because the insurance they carried did not cover flood damage.

Woonsocket has a population slightly in excess of 50,000 with 120 industrial firms providing employment for 11,000 workers.

In the 1955 floods 34 of these firms, employing over 6,000 workers, more than half of the city's work force, were victims of flood damage.

The losses to these firms ranged from a few thousand dollars to a maximum of \$750,000.

The aggregate damage to industrial firms—including real estate, machinery, and inventories—was estimated at \$4,500,000.

Commercial losses, while more widespread and involving a far larger number of individual firms, were lower in dollar value but equally devastating. Nearly 200 commercial firms, many of them small owner-operated businesses and a great majority comprising retail stores, were reduced to almost total loss.

In many instances, accumulations of a lifetime of hard work were entirely wiped out. Losses to these businessmen ranged from a few hundred dollars to well in excess of \$100,000 in a few instances. While no exact figures are available these losses are estimated to aggregate in excess of \$2 million.

These amounts do not seem large when we think of the billions in our national budget but I assure you, ladies and gentlemen, that in view of the serious economic situation that has existed in Woonsocket for the past few years, due to the depressed conditions of the textile industry, the loss of some six or seven million dollars of property in this area is a most severe loss.

Disaster insurance to communities of this type is really a must if we are to avoid ghost towns.

I am sorry that the bill now before us is limited to flood damage. I shall support it, however, because it is a start, a step forward on a program that the Federal Government must develop and carry on.

(Mr. FORAND asked and was given permission to revise and extend his remarks.)

Mr. SPENCE. Mr. Chairman, I yield such time as he may desire to the gen-

tleman from North Carolina [Mr. DEANE].

Mr. DEANE. Mr. Chairman, I commend the committee on bringing to the House this flood-insurance bill. In the early days of the session I introduced the bill H. R. 7883, to provide such insurance. It is needed. The American people, I believe, feel a very deep sense of gratitude to the Members on both sides of the aisle for their faithful work in bringing this bill to the floor for action.

Mr. SPENCE. Mr. Chairman, I yield 1 minute to the gentleman from Massachusetts [Mr. PHILBIN].

Mr. PHILBIN. Mr. Chairman, as chairman of the Massachusetts delegation, Committee on Flood Prevention and Rehabilitation, as well as for myself personally, I wish, in the first instance, to thank the distinguished chairman of the committee [Mr. SPENCE] and his entire committee for reporting this salutary measure to the House.

I may say that it is another of many evidences this membership has had of the unflagging interest and superlative devotion to duty of the illustrious gentleman from Kentucky, who is so highly esteemed by this House.

I do not propose to discuss the technical provisions of the bill because this has already been done very ably by preceding speakers. It is pertinent to note, however, that it permits government insurance policies against property losses due to flood, the reinsurance of flood loss policies issued by other insurers, and contracts with private individuals and business concerns, assuring them of credit assistance in restoring or replacing damaged or destroyed property.

The committee has done an unusually fine job because this question is exceedingly difficult and complex and requires the kind of prudent, experimental approach, which the committee has provided in the bill. It will relieve many flood victims of the necessity of turning to charity for relief during the time that current flood control projects are being constructed. It will also offer protection to other persons, who may not live within areas protected by existing or pending flood control projects and, as our experience shows, no one can ever be certain where these great disasters will strike.

There are ample precedents for legislation of this kind as applied to flood insurance, because the Congress has already provided many other forms of insurance for various classes and activities of our citizens.

The present bill represents an important start in a field of public protection, which is most essential to the welfare of the American people.

This House, with its membership from all parts of the country, can virtually take judicial notice of the fact from its own experience that one can never foretell where frightful floods and disasters may strike. One day it may be the Northeast; another it may be the Southwest or the west coast or the South leaving trails of devastation and suffering far beyond the capacity of the local and State governments to cope with. It is then that the Federal Government must take effective action, as it has in

so many instances, to try to bring relief and effect rehabilitation.

This measure represents, in a sense, efforts of this Congress to fill in wide gaps in our overall program of helping stricken individuals, communities, and States, which may become victims of great natural disasters.

It is not an elaborate or sweeping measure. In fact, it is quite constricted. It marks merely a start in formulating some means by which our afflicted fellow citizens may be to some extent redeemed from poignant suffering and loss of their worldly belongings.

The program is moderate and uniform as reported by the committee. The bill has wisely eliminated a provision, which called for State participation in the risk. It has added provisions for loans, or loan guaranties, for those not covered by flood insurance. It would authorize the House and Home Finance Agency to administer the program and flood insurance policies are limited as to total coverage to \$5 billion. It is pertinent to note that those insured under the plan would pay 60 percent of the rate estimated to be necessary, except that the rate could be less than that in special cases for owner-occupied dwellings with the Federal Government making up the difference.

In last year's floods in my district and area, hundreds of dwellings were damaged or destroyed. Many of them were swept off their foundations and tumbled into raging torrents and totally lost. In most instances, these were modest homes, the homes of honest, working people without means or resources to rebuild. Public agencies as well as private institutions had to step in to help these afflicted people. If this bill is enacted, it will greatly assist future disaster victims to replace their damaged or destroyed homes.

The bill has wide and strong support. The American people are behind it. It will serve a long existing need. It will further the efforts of Congress to render maximum possible assistance to flood disaster sufferers. It will supplement the other very helpful measures, which this Congress has already provided, to help relieve and rehabilitate stricken communities and areas, and to provide to the greatest extent possible various forms of protection against the recurrence of disastrous floods, which from time to time afflict and ravages various parts of the Nation.

The other body has already passed a similar measure and, with all my heart, I urge the House to enact this bill now so that a conference can be held before adjournment, and final action can be taken on this very meritorious and urgently needed legislation.

(Mr. PHILBIN asked and was given permission to revise and extend his remarks.)

Mr. WOLCOTT. Mr. Chairman, I yield 3 minutes to the gentlewoman from Massachusetts [Mrs. ROGERS].

Mrs. ROGERS of Massachusetts. Mr. Chairman, I thank the gentleman very much. I thank the distinguished chairman of the Banking and Currency Committee [Mr. SPENCE] and the gentleman from Michigan [Mr. WOLCOTT] for bringing this bill out. I want to remind

ranking minority Members of something, I think, they may have forgotten. The President said in Connecticut and again later that the Congress should get together in special session in order to give us relief. I remember it especially because I begged and urged a special session because I felt the sympathy of the Members would be with us more if the session came immediately after the floods. We, in the Merrimack Valley, are sitting on a volcano, as the chief of engineers of the northeastern division, General Flemming, said only the other day. We need desperately a dam at Hopkinton in New Hampshire on the Merrimack River. But, up to this day the State of New Hampshire has not been willing to sign a compact with Massachusetts that would give us that relief. I was in Maine during the Edna flood and I helped to bail water out of a house for 5 hours. While there was no loss of life, there was much damage. There was damage at Lowell, Mass., in both floods. There we have a bad situation because of the Concord River which flows into the Merrimack River at Lowell. The Merrimack River has not been so bad this time. If we should have a flood in Concord and in the Merrimack at the same time, there would be very little safety for Lowell and the surrounding area. This insurance bill is vital to us and I may say also it is an insurance bill that may affect everyone of the Members practically all over the Nation. It is not just for New England. This is just a pattern or trial insurance bill for the Nation. Mr. Chairman, I want to express my deep gratitude to the chairman of the committee, to the gentleman from Massachusetts [Mr. PHILBIN] and all the New England Members and the author of the bill. My deepest sympathy goes to those in New England—Rhode Island and the part of Connecticut and certain sections of Massachusetts—the last who have been so terribly and so grievously hurt, where there was so much loss of life.

Mr. CANFIELD. Mr. Chairman, will the gentlewoman yield?

Mrs. ROGERS of Massachusetts. I yield.

Mr. CANFIELD. The gentlewoman is a great humanitarian. I am sure she recalls after these floods, editors of the great newspapers all throughout the country through their editorial articles said that this is a matter which has to be met on a Federal level and it was a matter of Federal responsibility. I am sure the gentlewoman recalls that.

Mrs. ROGERS of Massachusetts. Yes; the gentleman is always on the alert, and they, too, urged an immediate special session of the Congress. We must make up for lost time, and I agree with the gentleman that the President asked for flood insurance. It was in his message to Congress on the state of the Union.

The CHAIRMAN. The time of the gentlewoman has expired.

Mr. SPENCE. Mr. Chairman, I yield 3 minutes to the gentleman from Massachusetts [Mr. BOLAND].

Mr. BOLAND. Mr. Chairman, I do not relish taking the time of the House at this late hour, but this is a bill which

was heard for a period of 13 days by the Committee on Banking and Currency and it would seem to me there ought to be some discussion of it.

I want to compliment the gentleman from North Carolina for the very fine, frank, clear statement he has made. This indeed, as he phrased it, is a leap in the dark; I think "a step in the shadows" would be a little more appropriate.

Mr. Chairman, I rise to urge the Congress to pass this bill. The Committee on Banking and Currency deserves to be complimented as does the Rules Committee in clearing for action this Federal Flood Insurance Act of 1956.

There is no need for me to document on this floor the devastation that has been repeatedly wrought by torrential rains, and water swollen streams and rivers that have overtopped their banks to bring disaster to life and property. The hearings of the committee indicate the monumental damage that floods have occasioned in all sections of this country. And in my section of New England we have had terrible and tragic flood experiences over a long period of years. Last year, we were visited by two disasters within the space of a few months that hit a new high in damages to our homes, factories, public highways, and bridges, and left wide areas almost and completely destroyed. Only those who have been wiped out can fully realize the heart rending and back breaking task of recovery from such disasters.

Our Federal Government in cooperation with State and local authorities is moving ahead to control floods. In this session of the Congress we appropriated for flood control purposes the largest amount that New England has ever received. It implements a program of major importance designed to give protection from the ravages of surging and uncontrolled waters. I know that the people of New England are grateful for this action and will come to appreciate it more and more as this energetic program bears full fruition.

But, Mr. Chairman, time and tide and rampaging waters await no man. No one can tell when any section of this land will be struck by destructive waters. We hope and pray that they will not occur. But come they might. And once again, people suffer. We should not and cannot remain pious and inactive until adequate flood protection works are completed. So, Mr. Chairman, the necessity for this legislation.

A system of Federal flood insurance is necessary to meet the almost insoluble problems that devastation entails. The damage caused by flood is a national problem calling for national solution. That solution embraces, in part, some kind of insurance. The proposal now before us is an approach in the right direction.

Mr. Chairman, as in all cases, when the urgency has passed and the tragedy dims with the passage of time, complacency rules. We are prone and wont to forget the unpleasant memories. When the disaster is staring us in the face and is fresh in our minds, all kinds of solutions and proposals crop up. I ask this Congress today to recollect the disasters

caused by floods and recall for a moment the terrible losses to life and property. By passing this bill and enacting it into law, we can, to some degree, cushion the impact of those whose losses are great. We can help them to recover.

Mr. Chairman, hit or miss relief of physical distress and bankruptcy that follows a flood can be avoided by a system of insurance. Our goal is to assure economic stability to those who are the victims of floods. The Federal Flood Insurance Act of 1956, although not the complete answer to the problem, will greatly assist in pointing the way or, as the committee report states, "blaze the trail."

Mr. McDONOUGH. Mr. Chairman, will the gentleman yield?

Mr. BOLAND. I yield to the gentleman from California.

Mr. McDONOUGH. The gentleman seems familiar with the situation in New England. I wonder if any consideration has ever been given to the creation of a flood-control district like we have in California? In Los Angeles we have a flood-control district where we are assessing ourselves at the rate of 22 cents per hundred of assessed valuation to build flood-control protective works in order to prevent loss of private property. That is in addition to any aid we may get from the Federal Government. As a matter of fact the record will show that over the years we have spent \$1.50 for every dollar we have received from the Federal Government.

Mr. BOLAND. I think that is true of several sections of this country, specifically I know it is true in the case of Hartford, Conn., which is the one city that has spent more money on local flood-control works than any other city of comparable size in the country. I compliment the city for it.

Mr. McDONOUGH. That has been done over the years.

(Mr. BOLAND asked and was given permission to revise and extend his remarks.)

Mr. WOLCOTT. Mr. Chairman, I yield 4 minutes to the gentleman from California [Mr. PHILLIPS].

(Mr. PHILLIPS asked and was given permission to revise and extend his remarks.)

Mr. PHILLIPS. Mr. Chairman, I am in favor of insurance for any emergency for which insurance can be written. My intention was to question some of the details of this bill, and to point out, in the form in which, in my opinion, it is drawn, it will probably produce more headaches for the committee that is bringing it out than any other bill they have ever had.

I was going to draw on the experience which the Committee on Agriculture has had in the agricultural areas with a somewhat similar bill. That bill is given as a precedent by this committee in the report. It actually is no precedent at all unless it were a precedent to vote "no" on this bill.

It is 6 o'clock on Saturday evening. I shall attempt to prepare some questions over the weekend and submit them to the committee for answer as to what the bill purports and intends to do. So I will take only a little time to refer

again to the right given the Administration to reduce premiums.

On page 29 of the bill it is stated:

No insurance policy shall be issued for a fee less than 60 per centum of such "estimated rate," except that reduced fees may be established for insurance on any classification of owner-occupied dwelling units if the Administrator determines that without such reduction the owners of such dwelling units as a class could not afford to pay the fees chargeable for such insurance.

The same thing appears in the report at page 8, where it is stated that the committee adopted an amendment giving the Administrator authority, in his discretion, to establish reduced fees for insurance on any classification of owner-occupied homes if he determines that without such a reduction the owners of these houses as a class could not afford to buy the insurance.

One of the questions I will ask is this: Are you going to require that there shall be broad coverage in order to create a fund which will meet the situation? Are you going to do what we did in the crop insurance program, make it possible for some people, just as they were about to lose their crops, to come in and take out insurance? Are you going to require an entire flood area to be designated a disaster area, to take insurance? I find nothing in here about that. You can have no sound insurance without that.

I will ask something else: Are you going to permit people to go into areas which are known to be flood areas, where at periodic intervals floods come and wash away whatever is in the path, while in the interval between the floods the people build houses? Under those circumstances are you going to require the Federal Government to underwrite the houses and the damage to the houses built by people in areas where there are known floods?

Mr. BOLAND. Mr. Chairman, will the gentleman yield?

Mr. PHILLIPS. I yield to the gentleman from Massachusetts.

Mr. BOLAND. I want the gentleman to ask these questions. I think the questions can be answered and I think they can be answered satisfactorily. I think every river is entitled to its bed, it is entitled to overflow its banks. This bill provides for assuming some responsibility.

Mr. PHILLIPS. We have rivers out our way where, when you fall in, you get up and dust yourselves off, except about once in every 10 years, then we may have flood conditions.

Mr. SPENCE. Mr. Chairman, I yield 4 minutes to the gentleman from New York [Mr. MULTER].

(Mr. MULTER asked and was given permission to revise and extend his remarks.)

Mr. MULTER. Mr. Chairman, I ask unanimous consent that all Members may have the privilege of extending their remarks immediately following my address.

The CHAIRMAN. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. MACK of Washington. Mr. Chairman, the bill now under consid-

eration by the House is known as the Federal Flood Insurance Act of 1956. It provides that the Federal Government shall cooperate with private insurance companies in working out a program that will make the insurance of private property against flood damage feasible and practicable. I am in agreement with that type of a program.

I point out, however, Mr. Chairman, that the best and most desirable flood insurance the people of our river valleys can have lies in the building of protective works that will prevent floods. It is far wiser and better that we take steps to prevent floods than that we pay insurance damage to those whose property are damaged or destroyed by floods. In the long run preventing damage will be far cheaper than paying for it.

During my 10 years in the Congress, I have been a member of the House Public Works Committee, which has jurisdiction over the authorization of flood-control projects.

The United States Army engineers each year have come before our committee and testified that economic damage done by floods in this country averages \$500 million a year. These engineers further have testified that if Congress would spend \$5 billion to provide needed flood-control works that this \$500 million annual loss would be almost entirely and permanently prevented. If the Federal Government can obtain \$500 million a year in benefits from prevented floods at a cost of \$5 billion then the Government will be making 10 percent interest on its \$5 billion investment.

When the Government can borrow money for less than 3 percent and make savings of 10 percent a year on that borrowed money, it seems to me, as a businessman, that then borrowing money to build flood protective works is a good investment.

I hope that the next Congress and the next administration, when the new year opens, will come forth with a great constructive flood-control program, just as this administration did recently on highways, to solve the flood-control problem of the Nation which, according to the engineers, is creating an average annual economic loss of half a billion dollars.

Flood control is not a partisan matter. For the slowness with which flood-control work has progressed throughout the Nation during recent years, both parties are to blame.

In the lower Columbia River Valley a disastrous flood that did \$104 million in damages occurred in 1947, Mr. Angell, then a Representative of the State of Oregon, and I secured the inclusion in the omnibus flood-control bill the authorization for a group of flood-control projects, mostly dikes, estimated to cost \$22 million. The United States Army engineers estimated that by the expenditure of the \$22 million in Federal money that the entire lower Columbia River Valley would be assured for all time to come complete protection against damage from any future flood.

In the light of the testimony of the United States Army engineers that the expenditure of \$22 million would guarantee against any repetition of a \$104 million it seemed to me the spending of

this \$22 million would be a good and worthwhile investment.

The delegation from Washington State, including both Republicans and Democrats, was never able to get one single dollar during the Democratic Truman administration for these lower Columbia River Valley flood-control projects. Likewise, in the first 3 years of the Eisenhower Republican administration we the Republicans and Democrats in Congress were unable to get any money to start these projects.

In this year's public works appropriation bill we did get a tiny, trivial \$17,000 to start one flood-control project along the lower Columbia. The \$17,000 for works which ultimately will cost \$22,000,000 is only a drop in the bucket. However, I do hope it is a straw that indicates perhaps money will be forthcoming in the near future for these desperately needed and urgently desired lower Columbia flood-control preventive works which I am convinced would be a good investment.

Recently, I wrote the Director of the Budget and asked that he recommend the expenditure of \$10,000,000 next year on lower Columbia flood-control projects. This \$10,000,000, if granted, would get projects started that will safeguard from future floods the cities of Washougal, the downstream sections of Vancouver, Ridgefield, Kalama, Woodland, Kelso, Longview, and the rich agricultural area behind them and also the very important agricultural areas of Puget Island which lies in the middle of the Columbia River in front of the town of Cathlamet.

The Columbia River flood of 1947 did flood damages estimated at \$104,000,000. The expenditure of \$22,000,000 will prevent for all time a repetition of a disaster of that kind. A start should be made on these important flood-control preventatives not later than next year.

Mr. DONOHUE. Mr. Chairman, in realization of the practically unanimous sentiment of the House concerning the vital necessity of enacting an adequate program of Federal flood insurance, and in consideration of this late Saturday hour, I have no intention of prolonging my remarks.

As one who, over these past several years, has repeatedly appeared before the various House committees in advocacy of sensible flood-control and flood-insurance legislation, my convictions on this important subject are well known and widely recorded.

The people of my State and regional area are only too well and too unfortunately acquainted with the terrible hardships and appalling human tragedies following the wage of disastrous and overwhelming floods. They share in and sympathize with, from their hearts, the personal and financial sufferings and burdens that have affected the people of so many other areas throughout the country.

My people and all these people very well appreciate that neither the individual sufferer nor the burdened State can alone or together survive and recover from the devastating impact of flood destruction. They realize the necessity and exhort reasonable assistance

from the Federal Government, as the source of the resources of all the people, to help alleviate the otherwise overpowering and suffocating damage of flood disaster. Flood damage, as we all know, hits with paralyzing effect, first, those ordinary homeowners who lose their homes by flood but still owe the mortgage debt on their homes; and secondly, diligent businessmen, whose credit is so impaired by flood loss as to make it practically impossible for them to recover and resume business operations. We all realize further that Federal disaster grants are not now generally available for individuals as such, and private insurance companies cannot handle the situation.

While this bill is not proclaimed to be a perfect solution by any means, it is a humane and democratic step to avert real human tragedy and preserve business and employment opportunities which otherwise would be irreparably lost. It is admittedly an experiment and will be continuously scrutinized for correction and improvement in its application and operation. It is unquestionably in the interest of all Americans and it will be a concrete demonstration that this legislature is primarily concerned about the sufferings and disasters that affect our own American people so tragically. I earnestly hope that every Member will grant this flood insurance legislative proposal his most conscientious consideration and that it will be approved without further delay.

Mr. DIES. Mr. Chairman, will the gentleman yield?

Mr. MULTER. I yield to the gentleman from Texas.

Mr. DIES. I understood someone to say this afternoon that the total cost of this would be \$3 billion. That astonished me, it shocked me. I wonder if I heard that right. What are the facts about the cost of this bill?

Mr. MULTER. I did not hear that statement. If anybody undertook to say what this bill would cost I would say he is a prophet. He would need to know how many disasters will occur, how much damage will be caused and to what extent that damage was insured. There are limitations to the extent of the maximum amount of insurance that may be written and the maximum amount of money that may be loaned under this program. The amount of insurance issued would be the maximum amount that the Government can lose on the program. The amount of premiums or fees it will take back, that will be charged for insurance may be added to the maximum authorized face amount of the insurance. How much the premiums or rates or fees will be, nobody can tell until the program gets underway. The Administrator will be required to work out the terms of the policies and the fees to be charged.

Mr. DIES. Is there any limit to the loss of the Government?

Mr. MULTER. Yes, there is a limit to the loss.

Mr. DIES. What is that?

Mr. MULTER. The limit to the loss is the limit of the amount of policies and contracts that may be sold under this program, less the amount of rates and fees and premiums that may be taken in,

with an initial maximum, however, of \$3 billion on the insurance program. I think it is \$2 billion, with the provision that the President may extend it by another half billion dollars if he so sees fit on the amount that may be loaned. In the first instance, this way \$3 billion of insurance and \$2 billion of loans. If every dollar of the loans is lost because of failure to repay, the loss will be \$2 billion. The insurance program could conceivably lose \$3 billion less the first \$100 of each loss and less 5 percent of the balance of the loss to the extent of the face amount of the policy.

Now, that is the maximum that you can lose. Of course, it must be measured by the amount of damage done, and that is further limited by the face amount of the policies, none of which can exceed \$250,000 damage to any 1 person and for no 1 dwelling in excess of \$10,000. Every policy must include a loss-deductibility clause.

Mr. DIES. Do I understand the gentleman correctly that no one can estimate the loss but that in no event can the loss exceed \$3 billion?

Mr. MULTER. Less the amount of rates and premiums collected, because nobody can get this for nothing.

Mr. DIES. I understand.

Mr. MULTER. That is the maximum, that is the limit.

Mr. DIES. What is the limit of total loss, \$3 billion?

Mr. MULTER. Yes. That is maximum insurance loss.

Mr. RIVERS. Mr. Chairman, will the gentleman yield?

Mr. MULTER. I yield to the gentleman from South Carolina.

Mr. RIVERS. If we lose everything on this, everything, would it be as big as the foreign-aid bill this year?

Mr. MULTER. No; it would not be.

Mr. BONNER. Mr. Chairman, will the gentleman yield?

Mr. MULTER. I yield to the gentleman from North Carolina.

Mr. BONNER. I realize the gentleman's time is limited and the time for debate is limited, but I merely want the RECORD to show that I appeared before the great Committee on Banking and Currency, and in the record, from page 265 to page 370, I testified in behalf of a bill of this nature that I presented to the committee. I commend the committee and the members of the committee for the serious consideration they have given to this legislation. This legislation is necessary and steps should be taken to put it into effect immediately. I thank the gentleman.

Mr. MULTER. Twenty-four other Members of this House appeared before this committee, and we are grateful to the gentleman from North Carolina and to them for the aid and assistance that they gave to us in attempting to write this experimental bill.

I want to emphasize that it is an experimental bill. We are going into this with our eyes wide open as to the risks we may take, yet groping in the dark for the proper formula. The insurance companies would not help us do the job. Incidentally, I did not say that the gentleman from California could not read. I merely suggested that he should read the bill. While he interprets the pro-

visions differently than I do, I say to him that the administrator, calling upon all the experience that can be made available to him, in calling upon every agency of Government for assistance, and if the insurance companies will help, with their aid, he will then write the rules and regulations and policies and contracts. This is merely a general outline of principles to be followed.

Mr. WOLCOTT. Mr. Chairman, I have no further requests for time.

Mr. SPENCE. Mr. Chairman, I yield 1 minute to the gentleman from New Jersey [Mr. SIEMINSKI].

Mr. SIEMINSKI. Mr. Chairman, this magnificently motivated measure aims to save our people from being wiped out in a washout. It would give them cash to rebuild their lives and restore their possessions to the extent damaged by water and wind.

Passage of the bill will force collateral action in self-preservation. We are told that a thousand year cycle of floods is soon to burst upon us in the next 40 years, plus or minus the year 2000.

Micro reading of breezes before they burst into big winds enables forest rangers to cut firelines to control fires and keep them from damaging millions upon millions of dollars of valued timber owned by Uncle Sam.

Uncle Sam is scheduled to invest \$20 billion in projects designed to protect the levies and property of our people from damage by water and wind.

It is hoped these projects will be completed in the next 40 years. By the year 2000, plus or minus, scientists tell us a thousand-year cycle of floods will be upon us. The \$20 billion worth of projects ought to stand us in good stead.

Benjamin Franklin connected lightning with electricity and the the lightning rod resulted. There are some in the field of thermonuclear dynamics who believe that we can parry a deluge, that a tornado is short-circuit, that a hurricane can be harnessed and that in time man will more fully control his destiny against the havoc of nature in its madcap flights.

If this bill passes, it will intensify the race of man to whip his environment in order to save himself.

Under unanimous consent, Mr. Chairman, I now insert an article that more fully covers a background that more clearly points out the need for protective action encompassed in the spirit of the measure now before us.

The article points out, I think, that particular care should be taken against the ravages of nature by those especially who, in the years ahead, will lay out highways, utilities, rail lines and factory sites. They should avoid, we are told, as much as possible, building in the flood plains.

The article below tells a story, I trust, that should be of interest to our planners:

PUT A FLOOD ROD ON THE DELUGE AND SAVE \$20 BILLION?

(Extension of remarks of Hon. ALFRED D. SIEMINSKI, of New Jersey, in the House of Representatives, Monday, July 18, 1955)

Mr. SIEMINSKI. Mr. Speaker, we are told that 10 million people live in the flood plains of the United States. This represents 7 percent of our population and 3 percent of our land.

Flood plains are the spillways nature has reserved to itself when its cup runneth over.

We are told that \$20 billion will have been spent when our flood-control projects become current.

In a book entitled "Floods," recently published by the Princeton University Press, Authors Hoyt and Langbein tell us that nature has a possible deluge scheduled for the flood plains, come the turn of the century.

The question is, Do we continue to settle and develop the flood plains and, like Noah, ride out the big wash when it comes, or, can the Congress build a flood rod, in effect like a lightning rod, to parry damage when the deluge strikes? The book offers many interesting observations.

In page 11, of chapter 1, entitled "Flood Problems," the authors state:

"It is inevitable that some future Congress or Congresses will recognize that a sound approach to floods must be broader than flood protection alone, and they will find it is in the national interest that the following be done: (a) States, river communities, and conservation districts should foster wise use of valley lands and discourage obstruction of rivers and their flood plains. (b) River communities should encourage organization of well-trained, alert rescue squads. (c) Flood-forecasting services should be recognized as an essential part of flood management and be appropriately supported. (d) The collection and dissemination of information concerning flood damage should be systematized and coordinated. (e) In order to foster local adjustments and to shift some of the burden of taxation for flood protection from those who receive no direct benefit, our policy should be modified to require those who receive direct benefits from flood-control projects to share equitably in the costs. (f) Citizens should be encouraged to establish local districts or other types of administrative bodies for the purpose of meeting local problems on a local basis. (g) Loans and grants and other forms of relief, whether by Federal or semiofficial organizations, should be so awarded that they will not encourage imprudent occupancy of flood plains. (h) An equitable system of flood insurance should be developed to discourage misuse of flood-hazard lands. (i) We should adopt only such programs and practices for flood protection as are demonstrated to be measurable, effective, and economically sound. (j) Finally, social, economic, and political activities in connection with relief, as well as strictly agricultural programs such as improvement of crop yields, should be recognized as such and should not be disguised as parts of flood-protection or flood-management plans.

In the prologue, on page 3, the following appears:

"PROLOGUE

"Land of Canaan, c. 2957 B. C.: Vast flood, probably centered around Ur on the Euphrates, subsides. Noah and family are reported safe. Word has just been received that the deluge resulting from 40 days and 40 nights of continuous rainfall has abated. Floodwaters are reported to have greatly exceeded 15 cubits. Lands have been inundated for 150 days. All living creatures have been drowned, except Noah, his immediate family, and the animals 'two by two,' who rode to safety in a homemade ark and finally have come to rest on Mount Ararat.

"Egypt, XXIII Dynasty, c. 747 B. C.: Floods follow droughts. Pharaoh has just reported that whole valley of the Nile is turned into an ocean, temples are full of water, and men look like waterfowl. Apparently embankments are not high or strong enough to confine floodwaters in normal channels. Present catastrophe well illustrates vagaries of nature, for it is recalled another Pharaoh complained: 'For 7 years the Nile has not risen. There is no grain, the fields are dry,

no man buries his neighbor, everyone flees, to return no more, the children weep, the young men faint, the old men wither. Their legs have lost their strength; with folded arms they crouch on the ground.' (Emil Ludwig, *The Nile*.)

"Mississippi River near mouth of Arkansas River, March 10, 1543: De Soto's expedition in search of gold and silver delayed a month by Mississippi River flood. Garciaso de la Vega reports party stranded when river overflowed wide level ground and rose to top of cliffs in an immense flood. There was nothing to stop inundation.

"Richmond, Va., May 27, 1771: James River on a rampage. Worst flood and disaster at Richmond since settlement in 1637. City virtually destroyed and 150 people reported drowned.

"Kansas City, Mo., July 1851: Floodwaters of Kansas River roll into Missouri River and into history as new flood marks are set. Previous alltime records of stage and discharge are greatly surpassed. Manhattan, Topeka, and Kansas City are inundated again following rains of unusual duration and intensity. Loss of life may exceed 50. Property damage may approach \$1 billion. President and Red Cross ask for money to meet emergency; New Deal and Fair Deal Senators ask for valley authorities; commentators would divert floodwaters into drought-stricken Southwest; conservationists clamor for more conservation measures; engineers promptly revise their plans upward; and funds are requested to complete authorized projects and to build bigger and better ones.

"Somewhere in the United States, year 2000 plus or minus: Nature takes its inexorable toll. Thousand-year flood causes untold damage and staggering loss of life. Engineers and meteorologists believe that present storm and flood resulted from a combination of meteorologic and hydrologic conditions such as may occur only once in a millennium. Reservoirs, levees, and other control works which have proved effective for a century, and are still effective up to their design capacity, are unable to cope with enormous volumes of water involved. This catastrophe brings home the lesson that protection from floods is only a relative matter, and that eventually nature demands its toll from those who occupy flood plains."

In the preface, we read this: "Floods have been many things to many people, and so forth."

"PREFACE

"Floods have been many things to many people. To Noah and his people the deluge was a manifestation of a wrathful God. To the Pharaohs 16 'ells' on the Nile gage meant wafa—a period of abundance, a contented people, and above all, a freedom to tax without fear of unrest. To the 500 million people of the Far East floods have made plains and deltas on which to subsist in spite of a lifelong threat of death by drowning. In the United States they probably stimulate more interest among more diverse groups than any other natural phenomenon.

"To the reporters and editors of the daily press they are dramatic news.

"To those caught in the swirling mudladen waters they represent days and nights of terror.

"To Red Cross workers, National Guard units, or citizens hurriedly pressed into service to carry sandbags or to contribute money, food, and clothing, or to provide shelter for the homeless, they represent a call to action, a summons that is gladly met.

"To hydrologists floods mean the immediate translation of measurements of rain, snow, wind, and ground conditions into forecasts of river stages and their widespread dissemination by radio, telephone, and the press. If the danger is overestimated, the forecasting service may be discredited; if it is

underestimated, the result is added damage and loss of life.

"To river engineers floods mean measurements of stages and volumes under the worst possible conditions; the study of ways to reduce damage; and the design, construction, and operation of extensive dikes, levees, floodwalls, channels, dams, and reservoirs—protective works which must not fail but which must function effectively to the limits of their designed capacity.

"To farmers they mean erosion and loss of topsoil on barren or newly planted side-hill fields, and inundation and flooding of crops on valley bottom lands.

"To conservationists the gullied fields and loss of valuable topsoil indicate a need for improved land-use practices and measures to increase infiltration and retard erosion.

"To legislators and constitutional lawyers floods have often represented a peg on which to hang measures and practices apparently designed not so much to reduce flood damage as to stabilize the economy, promote the general welfare, or in some instances just curry political favor.

"To journalists they provide material for magazine articles which in many instances have been deplorably misleading.

"To water users, especially in the West, they mean recharged ground water and the filling of storage reservoirs.

"To city and State planning boards and commissions they represent a need for rules and regulations whereby flood-hazard lands may be appropriately utilized.

"To statisticians they mean a series of events among which they look in vain for the alchemy of cyclic variations.

"To insurance executives they represent almost the only loss or damage that apparently cannot be profitably underwritten.

"To bankers they reflect the size and suitability of loans.

"To political scientists and economists they may present a picture of management or mismanagement which can only be corrected by more Federal control, more regional authorities, or more State and local participation, depending on the point of view.

"To some people floods may be only a source of inconvenience; to others they may be an immediate danger; to all of us as citizens they are a natural phenomenon on which we will have spent some twenty or more billion dollars under our present flood-control policy.

"In this volume we have tried to present some facts and fundamentals for the increasing number who are directly concerned with flood problems. We also hope that the book will be of general interest, because everyone of us, at least as a taxpayer, is indirectly concerned and affected by floods.

"WILLIAM G. HOYT,

"United States Geological Survey (Retired).

"WALTER B. LANGBEIN,

"United States Geological Survey.

"JUNE 1953."

To those who might be interested in a further followup of the topic, the table of contents appears as follows:

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Mr. SPENCE. Mr. Chairman, I yield to the gentleman from New Jersey [Mr. THOMPSON].

Mr. THOMPSON of New Jersey. Mr. Chairman, I am thoroughly in favor of this bill, and I am equally aware that it is an experimental thing. But, it is of extreme importance to not only the people of the State of New Jersey, but to the people of all other States.

It was my privilege to introduce a bill, H. R. 7979, on this subject which was referred to committee on the opening day of this session of Congress. The stimulus for this legislative proposal came not only from the calamitous experience suffered by my district and the State of New Jersey, as well as their neighbors in Pennsylvania, New York, Connecticut, Rhode Island, and Massachusetts during the floods of last August, but also from the testimony, which your friends of the Senate Banking and Currency Committee were able to gather in hearings held in the disaster area during November 1955.

Prior to my testimony before that committee in New York City, I received many letters urging me to do whatever possible to interest the Congress in providing better protection for our citizens against the capricious impact of natural disasters. Newspaper comment in my district was overwhelmingly favorable to the prospect of congressional action to establish sound insurance, at reasonable rates, against the unpredictable ravages of nature. The bill which I introduced in January was designed primarily to provide a broad basis of discussion of this general problem. On February 6, 1956, I introduced H. R. 9074 which restricts itself to the specific question of flood insurance. In my opinion, all the types of major calamity against which H. R. 7979 attempts to provide indemnity should be investigated with a view to legislation. But the most pressing need for legislation at this time is in the matter of property damage resulting from floods.

Certainly nothing that has happened since the harrowing experience of our northeastern neighbors in contending with that inappropriately named visitor, Hurricane Diane, has given cause for even the normal receding of alarm which generally ensues when disasters sink into history. Our usual sense of well-being during the Christmas season was disturbed this year by the news of the devastating floods in California, Oregon, and Nevada. From all over the country a feeling of great sympathy went out to these new flood victims, not only because of the cruel timing of the disaster, but also because millions of Americans have experienced for themselves the heart-break and financial ruin which attend these unpredictable catastrophies.

Surely there can be no doubt that floods—whether attendant upon hurricanes and other storms, or upon the annual changing of the seasons—constitute a problem of national proportions. Our ever energetic Corps of Engineers and the Bureau of Reclamation have devoted scores of years to providing better control of our waterways to prevent floods. The United States Weather Bureau does what it can to warn us of impending natural disasters. Many Federal agencies and bureaus have been delegated under Public Law 875 to help alleviate the suffering in disasters by providing equipment, housing, loans, unemployment benefits, tax assistance, and money grants to State and local governments. There is no question that the United States Government has played an important role in both the prevention of and recovery from the catastrophic blows of nature. The tragedy is that even the tremendous scientific and financial resources available to our Government cannot in any way guarantee protection of our citizens against the staggering loss of lives and possessions which accompany major storms or other natural disasters. This problem is one in which the classic requirements for governmental activity under our democratic system can be met—that is to say, the Government can do for the citizens what they could not otherwise do as well for themselves. Americans are not able to do at all for themselves in contending with the ravages of nature, not only insofar as prevention is concerned, but, just as importantly, in the matter of indemnity from the losses which they are constrained to suffer. With regard to floods, the private insurance companies of America are unable to write insurance against fixed property damage, because, in the areas where such policies might be purchased, the virtual certainty of loss, and its tremendous nature, would make the premium rates of any self-sustaining program far higher than property owners could pay. This is the considered opinion of the American Insurance Association, which reiterated on January 10, 1956, its stand, following a study of the flood damage occurring last year in the Northeastern States. Private insurance coverage for many types of natural catastrophes is obtainable at least for fixed location properties, because the incidence of the disaster is less certain than in the case of floods. But where an abnor-

mal flow of water is possible (even though the inhabitants of the area themselves do not always realize it in advance), property insurance companies cannot venture without either pricing themselves out of the market or risking a financial disaster hard on the heels of a natural one. The same situation applies when we consider the possibility of damage from radioactivity, or the unthinkable devastation of a future war.

During the 82d and 83d Congresses sound legislative proposals on the subject of flood insurance were introduced with the strong backing of President Truman. However, even though the Members of Congress from the areas most recently affected by floods were anxious to act upon them, the dead hand of inertia and fear of new undertakings by our Federal Government prevented the kind of insurance program which would be so salutary today in the areas of the latest disasters. The most up-to-date estimates of damage caused by the December floods in California, Oregon, and Nevada are set by the Corps of Engineers at \$107.3 million. Yet even this staggering loss is only 23 percent of the loss sustained by the Northeastern States last August, as estimated by the Federal Civil Defense Administrator. The past year has been the most expensive on record in the matter of flood damage, but it must not go down in history like the previous most expensive year, 1951. That was a year which prompted Congress to stir a bit under the consciousness of a national problem, but it failed to take effective action. The American Insurance Association report of December 1955 warns us that the Northeastern States have not yet experienced the greatest possible floods due to rainfall, nor the greatest storm tides. I see no reason to presume that other regions can safely assume that the worst lies behind them. Even if the scope of these disasters should steadily diminish, the insistent need for a Federal program to provide insurance would remain.

In view of the reluctance of our private insurance companies to enter the field of flood insurance, and in the face of the constantly repeated demonstrations of the need to protect our people and our economy from flood losses, the problem narrows down in my mind to one of method and the amount of necessary governmental action. The new bill which I have introduced presents a workable program for achieving the most pressing objective in disaster protection, while providing for a continuing study of the feasibility of extending the coverage to other forms of catastrophe included in my original proposal.

Under my revised bill, a Commissioner of the Federal Flood Insurance Administration, which is to be a constituent unit of the Housing and Home Finance Agency, would be appointed by the President subject to Senate confirmation. Authority to make policy decisions regarding Federal flood insurance and reinsurance would be vested in the Commissioner, and his administration would be subject to the Government Corporation Control Act. The Commissioner is directed to provide insurance against flood loss to real and personal property

owned privately or by State and local governments in the United States, its Territories and possessions and Puerto Rico. The bill sets a policy limit of \$10,000 on 1- to 4-family residences, including contents, and \$100,000 on any other single piece of real or personal property in a single location. Private insurance companies can then be encouraged to issue policies covering risks above these limits and Federal reinsurance will be made available to them. No Federal insurance or reinsurance policies are to be issued if coverage is available at reasonable rates from other public or private sources, nor will it be issued on property violating flood-zoning laws. The Commissioner will establish premium rates based on a consideration of risks, as well as administrative expenses and the need for reserves, but the rates must be set at levels which the average property owner can afford to pay.

The financing of this program will be through premiums, salvage proceeds and borrowing from the United States Treasury not to exceed \$1.5 billion unless approved by the President. The total liability of the Commissioner under insurance and reinsurance is not to exceed \$1 billion in the first year nor \$3 billion after July 1, 1958. The Commissioner will make an annual report and, in the year 1961, he is to specifically consider whether the Federal insurance program could be partially or totally turned over to private companies. If the Federal program continues after that year, a re-determination will be made regarding its continuance every 5 years.

The program set forth in S. 3732 is not nearly as extensive as the bill I originally proposed, but it makes what I consider a highly necessary and sound approach to the most pressing problem—providing against disastrous economic loss from floods. Other types of disaster insurance should be considered in separate legislation without undue delay. In the absence of any private agencies for helping the people who face the danger of flood losses, and considering the geographic and financial scope of the problem, I see no alternative to action by the Federal Government. The plan embodied in this bill is both financially feasible and also respectful of the need for solving our problems through private efforts whenever such efforts can achieve our purposes as well as the Government can. I therefore urge this program most urgently upon your committee.

(Mr. THOMPSON of New Jersey asked and was given permission to revise and extend his remarks.)

Mr. SPENCE. Mr. Chairman, I yield 2 minutes to the gentleman from California [Mr. HAGEN].

(Mr. HAGEN asked and was given permission to revise and extend his remarks.)

Mr. HAGEN. Mr. Chairman, the distinguished gentlewoman from Massachusetts has made a reference to a figurative volcano in Massachusetts. We have literal extinct volcanoes in California, and with them are associated earthquakes. I am sure the other Members of the California delegation, including Mr. TEAGUE, Mr. PHILLIPS, Mr. ENGLE, and others, join me in wondering why

some provision is not made in this proposed legislation for insurance against earthquake damage. I know of my own knowledge that the cost of such insurance from a private carrier is prohibitive.

I should like to ask the distinguished chairman of the committee or some member of the committee what consideration, if any, was given to insuring against types of disaster other than floods, including earthquake disaster.

Mr. SPENCE. We considered it, but we did not think it was desirable to put it in the bill. If we could have gotten some private enterprise to participate we might have done it. They did not want any part of it, so we did not put it in the bill.

Mr. HAGEN. I understand there is a directive or a paragraph which will act as a direction to this Commission or this body to study the application of this bill to other forms of disaster, and that that will be done. That is half a loaf, but may be of some help.

The CHAIRMAN. All time having expired, the Clerk will read the substitute committee amendment printed in the reported bill as an original bill for the purpose of amendment.

The Clerk read as follows:

Be it enacted, etc., That this act may be cited as the "Federal Flood Insurance Act of 1956."

Mr. SPENCE. Mr. Chairman, I move the Committee do now rise.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. WILLIS, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (S. 3732) to provide insurance against flood damage, and for other purposes, had come to no resolution thereon.

TAX ON ADMISSIONS

Mr. COOPER. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H. R. 9875) to amend the Internal Revenue Code of 1954 to provide that the tax on admission shall apply only with respect to that portion of the amount paid for any admission which is in excess of \$1.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill H. R. 9875, with Mr. BROOKS of Louisiana in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

Mr. COOPER. Mr. Chairman, I ask unanimous consent that all Members desiring to do so may extend their remarks in the Record on this bill just prior to the passage of the bill.

The CHAIRMAN. Is there objection to the request of the gentleman from Tennessee?

There was no objection.

Mr. COOPER. Mr. Chairman, I yield 15 minutes to the gentleman from Cali-

fornia [Mr. KING], the author of the bill.

Mr. KING. Mr. Chairman, I introduced H. R. 9875 on March 12, 1956. This bill has as its purpose the exemption from the Federal admissions tax, of admissions of \$1 or less. As originally introduced, the bill would have provided that the Federal admissions tax would be applied only to that amount in excess of \$1. The Committee on Ways and Means gave consideration to H. R. 9875 and agreed to an amendment which would provide that the tax on admissions would be applied to the full amount of paid admissions if in excess of \$1.

Under present law general admissions are free of the Federal excise tax if the charge is 50 cents or less. As in the case of the present 50 cent exemption, the \$1 exemption applies only to admissions up to the level of the exemption, and does not affect admissions for which the charge exceeds the level of the exemption. Thus, under the bill as amended, the tax on an admissions price of \$1.50 would be 15 cents, that is, it would be based upon the entire \$1.50 and not merely the portion of the charge in excess of \$1.

I am certain we are all aware that television is believed to be the primary cause for the difficulty faced by the motion-picture industry and other similar industries. While the exemption of \$1 or less for admissions to motion-picture theaters, and other places of amusement, will not remove the competitive problem presented by the advent of television, it is believed that it will better enable these industries to adjust their long-range plans to the new competitive situation.

As will be recalled, the Excise Tax Reduction Act of 1954 provided the 50-cent exemption. It was a well-known fact at that time and today that the admissions tax constitutes a special hardship in the case of small theaters. In order to meet the rising costs in small communities, as well as neighborhood theaters in larger communities, theaters have had to raise their prices above the 50-cent level and by so doing could not take advantage of the relief intended to be given under the Excise Tax Reduction Act of 1954. By raising the exemption to \$1 for admissions it is hoped that H. R. 9875 will accomplish the result sought in the previous act of 1954 of preserving our motion-picture theater industry.

Because rising operating costs confronting America's small theater owner today have precluded these entrepreneurs from realizing the benefits that Congress intended they should have as early as 1953, the motion-picture theater industry today is in worse condition than it was in 1953. It is estimated that more than one-half of all the theaters are in trouble. I am informed that 5,500 of these theaters are operating in the red and that 5,400 of them are operating at approximately the breakeven point. Since January of this year 1,073 theaters have closed.

We are all aware of the vital part that the community theater plays in the social and recreational activities of the

cities and villages of our Nation. In addition to providing a recreational outlet, the theaters of the Nation also render substantial community service by making their facilities available for public meetings and other activities.

In view of the depressed economic condition presently existing in the theater industry, I believe that I can correctly express the opinion that Congress would not today impose the present admissions tax on the theaters if such tax were not already in existence. If I am correct in this belief it seems indefensible to continue the tax.

For these reasons I believe the tax relief that would be afforded by H. R. 9875 to the motion-picture industry and to other industries subject to the admissions tax is fully warranted.

I urge my colleagues to join with me in supporting this meritorious legislation.

Mr. REED of New York. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, H. R. 9875 provides that no tax is to be imposed on a general admission for which the charge is \$1 or less. Primarily, this bill is designed to give further tax relief to the motion-picture theater industry.

It is estimated that the enactment of this bill will result in a revenue loss of approximately \$70 million a year when fully effective. The Department of the Treasury and the Bureau of the Budget oppose the enactment of this bill because of this substantial revenue loss.

I do not question the seriousness of the economic problems which confront the motion-picture theater industry. I assume that the tax exemption provided by this bill will, in most cases, not be passed on to the theater customers but will be retained by the theater owners. Therefore, I assume that enactment of this bill will serve to ameliorate the economic plight of these operators. On the other hand, there a number of other tax situations which are deserving of the consideration of this Congress. Irrespective of the merits of the motion-picture problem, it seems to me very unfortunate and, indeed, discriminatory to ignore the just demands of other taxpayers for similar assistance in their economic difficulties.

Mr. Chairman, I yield 3 minutes to the gentleman from Wisconsin [Mr. BYRNES].

Mr. BYRNES of Wisconsin. Mr. Chairman, I support this legislation because I think, as the gentleman from California stated, the industry involved here is a very sick industry. The cause of the sickness is not, of course, the tax itself, but certainly we should not be burdening the industry with a tax of this kind while it is in such a sad state of affairs.

However, I would call attention to two other matters that I think are crying for attention. I think it is regrettable that the committee did not see fit to consider them. As long as we were giving relief at least to this industry, I think we should have gone one step further and approved the bill as originally introduced by the gentleman from California, because certainly the legitimate

theater and other forms of entertainment in that line are suffering the same effects as the movie industry from the advent of television. Also, I would call attention to another industry, Mr. Chairman, which I think cries for attention and that is in the entertainment field. But, in his case the industry itself is being affected primarily because of the tax itself—I refer to the cabaret tax. I am convinced that that tax is not a revenue producing measure today, but is a deterrent to the employment of musicians and entertainers. What we are doing by the continuance of that tax, I am convinced, is denying musicians and entertainers an opportunity for employment. An effort was made in the committee to include that along with the bill, but regrettably that was not done. I hope, however, Mr. Chairman, that the committee will see fit—I know it is too much to expect that it will be done this year at this late date, but I do hope the committee early in the next session will give consideration to the industry affected by the cabaret tax, and also give consideration to the plight of these other aspects of the amusement industry that are affected by the amusement tax such as the legitimate theater, concerts, and other areas of the entertainment field.

Mr. McDONOUGH. Mr. Chairman, will the gentleman yield?

Mr. BYRNES of Wisconsin. I yield.

Mr. McDONOUGH. I am very happy to know that the gentleman is interested in reducing the excise tax. But you have confined your remarks to the entertainment field. What about the excise tax on women's purses, cosmetics, and transportation and telephone calls?

Mr. BYRNES of Wisconsin. What I have tried to point out is that in the particular areas that I am talking about, the tax is either a terrific burden on the industry as such, and is holding the industry down such as in the entertainment field so far as the employment of musicians and so forth are concerned who are just not being employed because of the tax, and the industry itself is in very difficult straits. That cannot be said in the other industries that the gentleman has mentioned.

Mr. COOPER. Mr. Chairman, I yield 1 minute to the gentleman from Minnesota [Mr. WIER].

Mr. WIER. Mr. Chairman, I want to associate myself with the comments made by the gentleman from Wisconsin [Mr. BYRNES]. I think he has expressed the sentiments and views that I have with respect to the entire entertainment field.

Mr. COOPER: Mr. Chairman, I yield 1 minute to the gentleman from California [Mr. MILLER].

Mr. MILLER of California. Mr. Chairman, I want to associate myself with the remarks made by my colleague, the gentleman from California [Mr. KING], the author of the bill.

(Mr. MILLER of California asked and was given permission to revise and extend his remarks.)

Mr. COOPER. Mr. Chairman, I yield 1 minute to the gentleman from Georgia [Mr. DAVIS].

Mr. DAVIS of Georgia. Mr. Chairman, I want to associate myself also with the remarks made by the preceding speakers. This is a very much needed piece of legislation and is very timely.

(Mr. DAVIS of Georgia asked and was given permission to revise and extend his remarks.)

Mr. REED of New York. Mr. Chairman, I yield such time as he may desire to the gentleman from Ohio [Mr. JENKINS].

Mr. JENKINS. Mr. Chairman, there is absolutely nothing in this bill more than is stated in its title and I am going to read it again. Here is what it says:

To amend the Internal Revenue Code of 1954 to provide that the tax on admissions shall apply only with respect to that portion of the amount paid for any admission which is in excess of \$1.

In other words, it applies only to admissions over \$1. The price of admission has to be over \$1. It does not deal with any admission below \$1 which heretofore was affected by the tax.

Though this matter was not approved unanimously by the committee, generally the committee approved this and I think the country will approve.

Mr. REED of New York. Mr. Chairman, I yield 1 minute to the gentleman from California [Mr. HOLT].

Mr. HOLT. Mr. Chairman, I want to go on record as favoring this legislation very strongly. I represent the district which makes more motion pictures in Hollywood than any other district. The industry itself has recovered greatly from the competition of television, but the small-business men who operate the theaters are having a difficult time of it. I want to compliment the Committee on Ways and Means for reporting out this legislation and I want to associate myself with the remarks of my colleague, the gentleman from Wisconsin [Mr. BYRNES], and I agree with him that it is too bad that legislation could not be reported out by the committee which would eliminate the cabaret tax as well.

First. There are a total of 19,200 motion picture theaters in the United States. These are divided into 14,600 four-wall theaters and 4,400 drive-ins. Of these theaters 53 percent are now paying about \$80 million annually in Federal taxes and the other 9,000 theaters pay no admission taxes because their top ticket prices are 50 cents or less.

Second. The taxpaying theaters, 10,200, may be divided into 4 economic groups:

A. This group consists of 4,700 theaters—2,000 of these are operating at a profit of only 2 or 3 percent of their net gross—1,500 are breaking even and 100 are in the red.

B. The next group consists mainly of suburban theaters of a total of around 2,800. Only 800 of these are profitable at this time. About 1,000 are losing an average of \$100 a week and the balance, as I understand it, are about breaking even.

C. This group consists of 2,600 theaters which are mostly circuit owned or operated and they are the first run pictures in the big towns. Some of these are making money and some are in the

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out the portion of the bill dealing with the channeling of Government procurement contracts into distressed areas (p. 13314).

13. FOOD RESERVE. Sen. Martin, Iowa, inserted his statement relating to the establishment of an international food and raw materials reserve under the U. N. p. 13111
14. ASC COMMITTEES. Sen. Symington inserted and discussed correspondence with the Secretary concerning the operations of the Missouri State ASC Committee. p. 13119
15. RECLAMATION. Sen. Morse inserted correspondence from a local Chamber of Commerce regarding the size of farm units in the Columbia Basin project. p. 13282
16. RESEARCH. Sen. Mundt inserted a statement by Rep. Jensen, Iowa, and himself concerning the utilization of grain alcohol in the manufacture of fuel used for motor vehicles. p. 13283
17. HOUSING. Passed with amendment H. R. 11742, to extend and amend laws relating to the provision and improvement of housing and the conservation and development of urban communities, including provisions for farm housing loans and disposal of certain farm-labor camps. Conferees were appointed. p. 13294
18. FISHERIES. Sen. Neuberger inserted a telegram from a local outdoor group favoring S. 3275, the fisheries bill. p. 13322
19. FOREIGN AFFAIRS. Sen. Morse inserted an Oregon Farmer Union article, "Patton on Foreign Aid". p. 13283
Sen. Malone stated that free trade destroys American workingmen and investors. p. 13321
20. IMPORTS. The Finance Committee reported without amendment H. R. 12254, to provide additional time for the Tariff Commission to review the customs tariff schedules (S. Rept. 2780). p. 13069
21. EXECUTIVE PAY; RETIREMENT. The "Daily Digest" states that "Conferees, in executive session, agreed to file a conference report on the differences between the Senate-and House-passed versions of H. R. 7619, to adjust the rates of compensation of heads of executive departments and of certain other Federal officials". p. D884
22. TRANSPORTATION. The Interstate and Foreign Commerce Committee submitted a report, "Transportation Problems of Alaska and the Pacific Coast States" (S. Rept. 2802). p. 13070
23. LEGISLATIVE PROGRAM. Sen. Johnson announced that the Great Plains bill and Guar seed bills would be considered today (p. 13096). Agreed to waive the requirement that committee reports must lie over a day before being taken up (p. 13107).

HOUSE

24. FARM LOANS. Both Houses agreed to the conference report (see Digest 125) on H. R. 11544, to improve and simplify the credit facilities available to farmers and to amend the Bankhead-Jones Farm Tenant Act. This bill is now ready for the President. pp. 13231, 13293
25. WATERSHEDS. Both Houses agreed to the conference report on H. R. 8750, to amend the Watershed Protection and Flood Prevention Act. This bill is now ready for the President. pp. 13231, 13293
26. FOREIGN TRADE; SURPLUS COMMODITIES. Both Houses agreed to the conference report on S. 3903, to increase from \$1.5 billion to \$3 billion the authorization under title I of the Agricultural Trade Development and Assistance Act. This bill is now ready for the President. pp. 13232, 13293
27. FOREIGN AID. Conferees were appointed, and later the conference report was received on H. R. 12130, the mutual security appropriation bill for 1957. The conference report includes provisions: Appropriating \$250 million for development assistance, deleting Senate language continuing funds available until June 30, 1958; appropriating \$135 million for technical assistance (instead of \$140,500,000 as proposed by the Senate), and \$15,500,000 for U. N. technical assistance (instead of \$10 million as proposed by the House); appropriating \$2,500,000 for ocean freight charges (instead of \$1,400,000 as proposed by the House and \$3,000,000 as proposed by the Senate). (H. Rept. 2931). pp. 13124, 13253
28. HOUSING. Passed with amendment H. R. 11742, to extend and amend laws relating to the provision and improvement of housing and the conservation and development of urban communities. The amendment to H. R. 11742, consisted of inserting the language of H. R. 12328, a similar bill. p. 13130
29. WHEAT. Passed without amendment S. 4221, to extend the period of the International Wheat Agreement until July 31, 1959. This bill is now ready for the President. p. 13161
30. FLOOD INSURANCE. Passed with amendments S. 3732, to provide insurance against flood damages. Adopted an amendment offered by Rep. Dies to require States to contribute one-half of the cost of the program after June 30, 1959, and an amendment by Rep. Dodd to authorize the Administrator to fix the premium on the loans as well as to establish the premium on the insurance. p. 13212
31. PERSONNEL. Rep. Lesinski discussed the administration of the Federal employees' loyalty-security program and inserted a statement by M. E. Markwood, of the NFEE, suggesting a revision of this system. p. 13242
Received from the Treasury Department a report on operations of Federal agencies in connection with the bonding of employees; to the Post Office and Civil Service Committee. p. 13255
32. FORESTRY. Received and agreed to the conference report on H. R. 5712, to provide that the U. S. hold in trust for the Pueblos of Zia and Jemez a part of the Ojo del Espiritu Santo Grant and a small area of public domain adjacent thereto (H. Rept. 2907). p. 13127
The Agriculture Committee reported with amendment H. R. 3436, to provide that sums paid to States from moneys received from national forests may be used

Mr. YATES. Mr. Speaker, will the gentleman yield?

Mr. JACKSON. I yield.

Mr. YATES. The gentleman indicated that there was information that Arthur Miller was a Communist. On page 36 of the hearings, at the bottom of the page, this colloquy appears:

Mr. ARENS. I put it to you as a fact and ask you to affirm or deny the fact that you did make application for membership in the Communist Party and that the number of your application is 23345.

Mr. MILLER. I would not affirm that. I have no memory of such a thing.

Mr. ARENS. Do you deny it?

Mr. MILLER. I would deny it.

I would assume if Mr. Miller were guilty of perjury the committee would have referred the matter to the Department of Justice for action under the perjury statutes, rather than to come into this Congress and ask that he be held for contempt.

Mr. JACKSON. The committee might do that or the committee might continue investigation of the matter. Mr. Miller is not being cited for being a Communist. This matter is before the House for action today because Mr. Miller refused to name those who were said by him to have been members of the Communist Party during that period. In so declining to elaborate on his testimony he did not avail himself of the privileges that were his under the Constitution.

Mr. YATES. Will the gentleman yield further?

Mr. JACKSON. I yield.

Mr. YATES. Does the committee have any information about the fact that he was a Communist, which does not appear in these hearings?

Mr. JACKSON. I will say to the gentleman that the committee had evidence that satisfied members of the committee as to Mr. Miller's activities on behalf of the Communist front. Else Mr. Miller would not have been subpoenaed.

Mr. FORRESTER. Mr. Speaker, will the gentleman yield?

Mr. JACKSON. I shall be very happy to.

Mr. FORRESTER. Does not this present this kind of analogous situation: Is not this on a parity with a man saying to a grand jury: "I did not participate in the killing or the murder, but I was present at the time, and I refuse to testify to tell you who those people were on account of my conscience or because I do not want to talk about my friends"? In other words, would not your whole theory of the admissibility of evidence in this case be in jeopardy if this man were not cited for contempt and punished?

Mr. JACKSON. I think very definitely so. If the pattern is established by this or any other committee of permitting a witness before that committee to go so far into his activities in the Communist Party or a Communist front organization, and then to stop at his own discretion, the entire structure of congressional investigation is in danger, in very serious danger.

Mr. SCHERER. Mr. Speaker, will the gentleman yield?

Mr. JACKSON. I yield.

Mr. SCHERER. If you will read the record of the testimony, Miller in sub-

stance said to this committee that he believed at the present time that a writer such as he was had the right to advocate anything, even to overthrow of this Government by force and violence.

Mr. YATES. Mr. Speaker, will the gentleman yield?

Mr. JACKSON. I yield to the gentleman.

Mr. YATES. Did not the late Senator Taft, in a speech to the Executive Club in Milwaukee, state in effect that he considered it the right of any person to advocate anything, even Communist doctrines, as long as he was not engaged in a conspiracy to overthrow the Government of the United States by force and violence?

Mr. SCHERER. No. The Smith Act provisions would forbid advocating the overthrow of this Government by force and violence.

Mr. MOULDER. Mr. Speaker, the act creating the Committee on Un-American Activities charged the committee with the duty of making certain investigations. Under the principle of self-preservation, the House of Representatives has the implied right to prevent acts which, in and of themselves, obstruct or prevent the discharge of legislative duties. At this inherent right was latent, undefined, and unpublished, and as common justice required that citizens be advised as to the extent and limitations of this power, a statute was passed making it a misdemeanor for a person to refuse to answer any question pertinent to the question under inquiry. The penalty for the violation of this statute is a fine of not more than \$1,000, nor less than \$100, and imprisonment for not less than 1 month nor more than 12 months.

There are instances in which this governmental right or power comes into conflict with the right of a witness to refuse to answer questions, such as is the case where a witness refuses to answer because the answer might tend to incriminate him. The Committee on Un-American Activities has just presented the facts to the House of Representatives regarding the refusal of eight witnesses to answer pertinent questions propounded to them in the course of committee investigations. The House of Representatives adopted resolutions in each of these instances referring the facts to the proper United States attorney for prosecution, for their refusal to answer certain questions propounded to them. In some of the cases presented, the witness did not assert any constitutional immunity against testifying; some did not assign any constitutional reason for refusing to testify; some refused to do more than answer to their names, and some based their refusal to testify on their reluctance to give information relating to other persons.

The House of Representatives should not consider lightly the relinquishment of its right to institute contempt proceedings in such cases, for to do so would encourage a recurrence of such wrongful conduct and bring into disregard and disrepute important legislative functions.

The committee sought to elicit information, the receipt of which would have been an aid to Congress in better under-

standing the problems arising from Communist activities and the information sought would have been an aid in the finding of a legislative solution to some of these problems.

Mr. ROOSEVELT. Mr. Speaker, first may the record show that on the previous citations I have voted to uphold the committee. But in the case of Arthur Miller I believe, after careful study, that the committee has made a serious error. This case is different from the others because of some or all of these facts.

First. Mr. Miller was a completely cooperative witness and the last words of the distinguished chairman to him were "You have learned a great deal, and made a greater contribution to what we think you now stand for than you realize because, by the errors that you have committed, you are serving a very loud note of warning to a lot of other people who might fall into what you did, quite obviously."

Second. The committee has repeatedly in other cases of similar refusal refrained from citing for contempt even though in some of these the witnesses also refused to answer many other questions. Mr. Miller, perhaps because of his prominence, has been discriminated against and the committee has raised a double standard. For reference we should read the memorandum of Mr. Miller's attorneys submitted on July 6, 1956. It documents 13 such cases.

Third. The very few witnesses cited for contempt who were cooperative in their attitude were directly affiliated with the Communist Party and in a position to be positive of information needed by the Government. Mr. Miller, on page 36 of the committee report, flatly denied he had joined the Communist Party and wrote the committee:

I have no knowledge of any plan on the part of these people, past or present, detrimental to society or otherwise. I have no knowledge of any crime or criminal.

Fourth. The House is in the same position as a judge who decides that the degree of contumacy or contempt is not sufficient to require punishment. The argument that the trial court can also exercise this privilege does not excuse our ducking our duty just because there may be present to some technical degree of contempt. The past record of the committee actions as previously cited, the acknowledged helpfulness of Mr. Miller to the committee, and the very full and frank answers given in all other instances, it seems to me, calls on us as judges to act on the true merits of this case.

Finally, Mr. Speaker, if the contempt citation is voted it serves notice on all future witnesses before the House Un-American Activities Committee that they must answer all committee questions unless they plead the fifth amendment, conveniently claim forgetfulness, or deliberately lie. The ability of the committee to get useful, helpful information will be seriously damaged. This is not just a case of the House granting mercy, it is an opportunity for the House to exercise judgment and discretion toward a cooperative witness.

[Mr. YATES addressed the House. His remarks will appear hereafter in the Appendix.]

Mr. O'HARA of Illinois. Mr. Speaker, there have been numerous occasions since I have been a Member of this body when there have been resolutions similar to those we are considering today. It was in the 81st Congress, if I recall correctly, that a resolution of this nature was directed at a witness who had appeared before the committee headed by the late beloved Congressman Frank Buchanan investigating the practices of lobbies and of lobbyists. On that occasion many on the other side of the aisle opposed the resolution and sought to bring about its defeat. This, I thought, tended to take a hearing for alleged contempt from the proper judicial tribunal and decide it in the climate of prejudice and favor and of partisan bias on the floor of this House. We in the House in voting on resolutions of this character are not passing upon the guilt or the innocence of the person sought to be cited. That is the province strictly and entirely of the courts. During my terms in the Congress, even at times when I thought the practices of some congressional committees did not conform to the recognized rules of American courts and of fair play, I uniformly have followed the rule of voting for resolutions of the type now before us. The passing of such a resolution does not constitute a finding either of guilt or of innocence. It does not constitute a finding of approval or of disapproval of anything the witness did or anything the committee did. It merely refers the matter to the proper tribunal. It is the duty of the House to maintain its own dignity, and whenever one of the committees of the House makes a prima facie case that any witness before it has been disrespectful of its authority, the proper procedure, of course, is to have the matter referred to the courts for judicial determinations of the facts and of the law.

The SPEAKER. The question is on the resolution.

Mr. WALTER. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 373, nays 9, not voting 50, as follows:

[Roll No. 120]

YEAS—373

Abbitt	Bass, N. H.	Brown, Ohio
Abernethy	Bates	Brownson
Adair	Beamer	Broyhill
Addonizio	Becker	Buckley
Albert	Belcher	Budge
Alexander	Bennett, Fla.	Burdick
Alger	Bennett, Mich.	Burnside
Allen, Calif.	Bentley	Bush
Allen, Ill.	Berry	Byrd
Andersen,	Betts	Byrne, Pa.
H. Carl	Blitch	Byrnes, Wis.
Andresen,	Boggs	Canfield
August H.	Boland	Cannon
Andrews	Bolling	Carlyle
Anfuso	Bolton,	Carrigg
Arends	Frances P.	Cederberg
Ashley	Bolton,	Chase
Ashmore	Oliver P.	Chelf
Aspinall	Bonner	Chenoweth
Auchincloss	Bosch	Chipperfield
Avery	Bow	Christopher
Ayres	Bowler	Chudoff
Baker	Boykin	Church
Baldwin	Boyle	Clark
Bardeen	Bray	Cole
Barrett	Brown, Ga.	Colmer

Cooley	Holtzman	Phillips
Coon	Hope	Pilcher
Cooper	Horan	Pillion
Corbett	Hosmer	Poage
Coudert	Huddleston	Poff
Cramer	Hull	Polk
Cretella	Hyde	Price
Cunningham	Ikard	Prouty
Curtis, Mass.	Jackson	Quigley
Curtis, Mo.	James	Rabaut
Dague	Jarman	Radwan
Davis, Ga.	Jenkins	Rains
Davis, Tenn.	Jennings	Ray
Dawson, Utah	Johnson, Calif.	Reece, Tenn.
Deane	Johnson, Wis.	Reed, N. Y.
Delaney	Jonas	Rees, Kans.
Dempsey	Jones, Ala.	Reuss
Denton	Jones, Mo.	Rhodes, Ariz.
Derounian	Jones, N. C.	Rhodes, Pa.
Devereux	Judd	Richards
Dies	Karsten	Riehlman
Diggs	Kean	Riley
Dingell	Kearns	Rivers
Dixon	Keating	Roberts
Dodd	Kelly, N. Y.	Robeson, Va.
Dollinger	Keogh	Robison, Ky.
Dolliver	Kilburn	Rodino
Dondero	Kilday	Rogers, Colo.
Donohue	Kilgore	Rogers, Fla.
Donovan	King, Calif.	Rogers, Mass.
Dorn, N. Y.	King, Pa.	Rogers, Tex.
Dorn, S. C.	Kirwan	Rooney
Doyle	Kluczyński	Rutherford
Durham	Knox	Sadlak
Edmondson	Knutson	St. George
Elliott	Kruger	Saylor
Ellsworth	Laird	Schenck
Engle	Lanham	Scherer
Evins	Lankford	Schwengel
Fallon	Latham	Scott
Fascell	LeCompte	Scrivner
Feighan	Lesinski	Seely-Brown
Fenton	Lipscomb	Selden
Fernandez	Love	Sheehan
Fino	McCarthy	Sheppard
Fisher	McCormack	Short
Fjare	McCulloch	Shuford
Flood	McDonough	Simpson, Ill.
Flynt	McDowell	Sisk
Fogarty	McGregor	Smith, Kans.
Forand	McIntire	Smith, Miss.
Ford	McMillan	Smith, Va.
Forrester	McVey	Smith, Wis.
Frazier	Macdonald	Spence
Frelinghuysen	Machrowicz	Springer
Friedel	Mack, Ill.	Steed
Fulton	Mack, Wash.	Sullivan
Gamble	Madden	Taber
Garmatz	Magnuson	Talle
Gary	Mahon	Taylor
Gathings	Mailliard	Teague, Calif.
Gavin	Marshall	Teague, Tex.
Gentry	Martin	Thomas
George	Mason	Thompson,
Grant	Matthews	Mich.
Gray	Meador	Thomson, Wyo.
Green, Pa.	Merrow	Tollefson
Gregory	Metcalf	Trimble
Griffiths	Miller, Calif.	Tuck
Gross	Miller, Md.	Tumulty
Gubser	Miller, Nebr.	Udall
Gwinn	Mills	Utt
Hagen	Minshall	Vanik
Hale	Morano	Van Pelt
Haley	Morgan	Van Zandt
Halleck	Morrison	Velde
Hand	Moss	Vorys
Harden	Moulder	Vursell
Hardy	Mumma	Wainwright
Harris	Murray, Ill.	Walter
Harrison, Nebr.	Murray, Tenn.	Watts
Harrison, Va.	Natcher	Weaver
Harvey	Nicholson	Westland
Hays, Ark.	Norblad	Wharton
Hays, Ohio	Norrell	Widnall
Hayworth	O'Brien, Ill.	Wigglesworth
Healey	O'Brien, N. Y.	Williams, Miss.
Henderson	O'Hara, Ill.	Williams, N. J.
Herlong	O'Konski	Williams, N. Y.
Heselton	O'Neill	Willis
Hess	Osmers	Wilson, Calif.
Hiestand	Ostertag	Winstead
Hill	Passman	Wolcott
Hillings	Patterson	Wolverton
Hinshaw	Pelly	Wright
Hoeven	Perkins	Yates
Hoffman, Mich.	Pfost	Young
Holland	Philbin	Younger
Holmes		Zablocki
Holt		Zelenko

NAYS—9

Celler	Holifield	Roosevelt
Crumpacker	Klein	Sieminski
Davidson	Multer	Thompson, N. J.

NOT VOTING—50

Bailey	Green, Oreg.	Priest
Bass, Tenn.	Hébert	Scudder
Baumhart	Hoffman, Ill.	Shelley
Bell	Jensen	Sikes
Blatnik	Johansen	Siler
Brooks, La.	Kearney	Simpson, Pa.
Brooks, Tex.	Kee	Staggers
Burleson	Kelley, Pa.	Thompson, La.
Carnahan	Lane	Thompson, Tex.
Chatham	Long	Thornberry
Clevenger	McConnell	Vinson
Davis, Wis.	Mollohan	Whitten
Dawson, Ill.	Nelson	Wickersham
Dowdy	O'Hara, Minn.	Wier
Eberharter	Patman	Wilson, Ind.
Fountain	Powell	Withrow
Gordon	Preston	

So the resolution was agreed to.

The Clerk announced the following pairs:

Mr. Hébert with Mr. Simpson of Pennsylvania.

Mr. Thompson of Louisiana with Mr. Baumhart.

Mr. Vinson with Mr. Clevenger.

Mr. Bell with Mr. McConnell.

Mr. Whitten with Mr. Nelson.

Mr. Powell with Mr. Scudder.

Mr. Gordon with Mr. Siler.

Mr. Preston with Mr. Wilson of California.

Mr. Carnahan with Mr. Withrow.

Mr. Kelley of Pennsylvania with Mr. Hoffman of Illinois.

Mr. Thompson of Texas with Mr. Johansen.

Mr. Burleson with Mr. Kearney.

Mr. Patman with O'Hara of Minnesota.

Mr. Dowdy with Mr. Jensen.

Mr. Brooks of Louisiana with Mr. Davis of Wisconsin.

Mr. KEARNS changed his vote from "present" to "yea."

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

(Mr. MOULDER asked and was given permission to extend his remarks immediately preceding the rollcall.)

(Mr. ROOSEVELT and Mr. YATES (at the request of Mr. WALTER) were granted permission to extend their remarks immediately preceding the rollcall.)

PROVIDING INSURANCE AGAINST FLOOD DAMAGE

Mr. SPENCE. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill (S. 3732) to provide insurance against flood damage, and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill S. 3732, with Mr. WILLIS in the chair.

The Clerk read the title of the bill.

The CHAIRMAN. When the Committee rose on Saturday, July 21, the Clerk had read section 1 of the committee amendment. If there are no amendments to section 1, the Clerk will read.

The Clerk read as follows:

FINDINGS AND DECLARATION OF PURPOSE

SEC. 2. (a) The Congress finds that in the case of recurring natural disasters, including recurring floods, insurance protection against individual and public loss is not always practically available through private or public sources. With specific reference to insurance against flood loss, the Congress

finds that insurance against certain losses resulting from this period is not so available. Since preventive and protective means and structures against the effects of these disasters can never wholly anticipate the geographic incidence and infinite variety of the destructive aspects of these forces, the Congress finds that the safeguards of insurance are a necessary adjunct of preventive and protective means and structures.

Inasmuch as these disasters impede interstate and foreign commerce, hamper national defense, and cause widespread distress and hardship adversely affecting the general welfare, without regard to State boundary lines, and in the absence of insurance protection from private or public sources, the Congress ought to provide for such protection in the case of flood, and study the feasibility and need for similar programs in the case of other forms of natural disaster against which insurance protection is not generally and practically available in all geographical areas.

(b) (1) It is the purpose of this act to authorize the establishment of a program of Federal insurance and reinsurance against the risks of loss resulting from flood as hereinafter defined, and to require a study and report on insurance and reinsurance against still other natural disaster perils to the extent that such insurance or reinsurance is not available on reasonable terms and conditions from other public or private sources; and

(2) It is the further purpose of this act to encourage private insurance companies to write insurance covering the extent of the risks above the limits prescribed in section 10 (a) and to provide Federal reinsurance to the extent desirable and necessary to carry out this purpose.

(3) It is the further purpose of this act to authorize the establishment of a program of loans, and a program combining insurance and loans, to assist flood victims who have entered into contracts with the Administrator under this act.

ADMINISTRATION

SEC. 3. (a) To assist in carrying out the functions, powers, and duties vested in him by this act, the Administrator may appoint a Commissioner, and the basic rate of compensation of such position shall be the same as the basic rate of compensation established for the Commissioners of the constituents of the Housing and Home Finance Agency.

(b) The provisions of the Government Corporation Control Act, as amended, shall apply to the functions vested in the Administrator by this act, to the same extent as applicable to wholly owned Government corporations.

(c) In the performance of, and with respect to, the functions, powers, and duties vested in him by this act, the Administrator, notwithstanding the provisions of any other law, shall maintain an integral set of accounts which shall be audited annually by the General Accounting Office in accordance with the principles and procedures applicable to commercial transactions as provided by the Government Corporation Control Act, as amended, and no other audit shall be required: *Provided*, That such financial transactions of the Administrator as the issuing of insurance policies, the making of reinsurance agreements, and the making and guaranteeing of loans, and vouchers approved by the Administrator in connection with such financial transactions, shall be final and conclusive upon all officers of the Government.

AUTHORITY TO INSURE AND REINSURE

SEC. 4. To aid in carrying out the purposes of this act, the Administrator is authorized to provide, upon such terms and conditions (including coinsurance requirements) as he may establish, insurance and reinsurance against loss resulting from dam-

age to or destruction against loss resulting from damage to or destruction of real or personal property (including property owned by any State or local government) due to flood, as hereinafter defined, occurring within the United States.

LOAN CONTRACTS

SEC. 5. (a) The Administrator is authorized to enter into contracts with any persons (not including State and local governments and agencies thereof) to the effect that, in the event of any subsequent loss resulting from damage to or destruction of real and personal property due to flood, as hereinafter defined, occurring within the United States—

(1) the Administrator will guarantee any public or private financing institution against loss of principal and interest with respect to any loan in an amount not to exceed such subsequent flood loss (as modified by subsection (f) of this section, relating to deductibility), which may be made by such institution to any such person in connection with such flood loss; and

(2) to the extent that a loan to finance such flood loss is not available from any such institution on reasonable terms, the Administrator will make a loan directly to such person in an amount covering all or part (as provided for in the loan contract between the Administrator and such person) of the difference between the amount of such flood loss (as modified by such subsection (f), relating to deductibility) and the amount of the loan available from such institution.

Each such contract shall contain such terms and conditions, and require from any such person such monetary consideration, as the Administrator may prescribe by regulation; but such monetary consideration shall be in the lowest practicable amount.

(b) Any loan made or guaranteed under this section shall bear interest at the rate, as determined by the Administrator, which is prevailing in the area where the money loaned is to be used but such rate shall not exceed 4 percent per annum on the unpaid principal balance.

(c) Any Federal Reserve bank, when designated by the Administrator, is hereby authorized to act, on behalf of the Administrator, as fiscal agent of the United States in guaranteeing loans under this section and in otherwise taking action in connection with such guaranties. Such funds as may be necessary to enable such bank to carry out any such guaranty shall be supplied and disbursed by or under authority of the Administrator from the Disaster Loan Fund. Such bank shall not have any responsibility or accountability except as agent in taking any action in connection with such guaranties. Each such bank shall be reimbursed by the Administrator, from funds appropriated by the Federal Government, for all expenses incurred by the bank in acting as agent on behalf of the Administrator, including among such expenses, notwithstanding any other provision of law, attorneys' fees and expenses of litigation.

(d) Actions and operations of such banks under authority of subsection (c) of this section shall be subject to the supervision of the Administrator and subject to such regulations as he may prescribe. The Administrator is authorized to prescribe the term and incidental charges for loans guaranteed under subsection (c) of this section. The Administrator is further authorized to prescribe regulations with respect to the forms and procedures (which shall be uniform to the maximum extent practicable) to be utilized in connection with such guaranties.

(e) To the maximum extent practicable, loans under this section shall be on a long-term basis in accordance with regulations prescribed by the Administrator, if so requested by the person obtaining the loan.

(f) Loans under this section shall be made only with respect to amounts exceeding the first \$500 of the amount of the loss.

(g) The face amount of all loan contracts outstanding under this section at any one time shall not exceed \$2,000,000,000; but such amount may be increased, with the approval of the President, by not to exceed \$500,000,000 in any one fiscal year.

(h) The provisions of sections 8, 9, 10 (a), 10 (b), 12 (b), 12 (c), 13, 14, 15 (e), 15 (g), 17 (a), 18, 19, 20, 22, and 23 of this act shall be applicable with respect to the loan contract program under this section.

COMBINATION OF INSURANCE AND LOANS

SEC. 6. The Administrator is authorized to establish, under such regulations as he may prescribe, a program combining insurance and loans in order to provide the greatest variety and amount of protection against loss to the greatest number of affected parties in accordance with individual needs.

ESTIMATED RATES AND FEES

SEC. 7. (a) The Administrator shall from time to time establish a schedule of "estimated rates" for insurance offered under the provisions of this act, which would be adequate, in his judgment, to produce sufficient proceeds to pay all claims for probable losses over a reasonable period of years. Such "estimated rates" shall be used as a basis for determining the fees to be paid by the persons insured. They shall be based on consideration of the risks involved and shall be uniform for similar risks within a given classification of property. They shall not include any loading for administrative expenses of the Federal Government under this act. The Administrator shall establish a schedule of fees to provide insurance protection at reasonable costs designed to achieve marketability: *Provided*, That no insurance policy shall be issued for a fee less than 60 percent of such "estimated rate," except that reduced fees may be established for insurance on any classification of owner-occupied dwelling units if the Administrator determines that without such reduction the owners of such dwelling units as a class could not afford to pay the fees chargeable for such insurance. The Administrator is authorized to establish such classifications of fees as he deems necessary to carry out the purposes of this act based on the use of the property to be insured, the availability of insurance from private sources covering such property, and the ability of the insured to self-insure or reinsure and may establish differentials in levels of fees for such classifications: *Provided*, That all such fees shall be uniform for similar risks within a given classification of property. The Administrator shall from time to time pay into the Disaster Insurance Fund, hereinafter created, an amount equal to the difference between the fees charged for insurance policies issued and the amount which would have been charged if the "estimated rates" were applied.

(b) The Administrator from time to time shall also negotiate with insurance companies seeking reinsurance for the purpose of establishing fees for reinsurance offered under the provisions of this act. Such fees shall be based on consideration of the risks involved and shall be adequate, in the judgment of the Administrator, to produce sufficient proceeds over a reasonable period of years to pay all claims for losses. The fees shall not include any loading for administrative expenses of the Federal Government under this act.

PROPERTY AND LOSS LIMITS

SEC. 8. The Administrator is authorized to provide for the determination of types and location of property with respect to which insurance or reinsurance shall be made available under this act, the nature and limits of loss or damage in any area (including subdivisions thereof) which may be covered

by such insurance or reinsurance, and such other matters as may be necessary to carry out the purposes of this act.

RISK CLASSIFICATION

SEC. 9. The Administrator may from time to time issue appropriate regulations regarding the classification, limitation, and rejection of risks assumed by him under authority of this act.

POLICY AND PROGRAM LIMITS

SEC. 10. (a) The outstanding face amount of insurance issued by the Administrator under this act shall not exceed \$250,000 per person: *Provided*, That the face amount of such insurance on any dwelling unit (including any structures and personal property connected therewith) shall not exceed \$10,000.

(b) The Administrator may from time to time issue appropriate regulations regarding insurance coverage available to joint owners and subsidiary and affiliated corporations as he shall deem advisable to effectuate the purposes of this act.

(c) Each insurance policy issued by the Administrator shall contain a loss-deductible clause relieving him from any liability for paying the first \$100 of a proved and approved claim for loss, plus 5 percent of the remainder, or such larger amount or percentage as may be specified by the Administrator upon issuance of the insurance policy, taking into consideration the class of risk involved.

(d) The face amount of insurance policies and reinsurance agreements outstanding at any one time under this act shall not exceed \$3 billion (which limit may be increased with the approval of the President by further amounts not to exceed \$2 billion in the aggregate if such increase is deemed advisable to effectuate the purposes of this act) minus the aggregate amount of claims proved and approved under insurance policies and reinsurance agreements issued under this act, but plus fees collected hereunder. For the purpose of applying this limitation, the face amount of any policy or agreement shall be deemed to be the original amount minus claims proved and approved thereunder.

REINSURANCE REGULATORY AUTHORITY

SEC. 11. (a) The Administrator is authorized to issue such regulations regarding reinsurance under this act as he deems advisable in order to carry out the purposes of this act.

(b) The premium rate and terms and conditions of any policy reinsured under the provisions of this act shall be subject to approval by the Administrator.

(c) The Administrator shall use his best efforts to encourage private insurance companies to undertake the issuance of insurance policies covering that portion of the loss in excess of the limits specified in section 10 (a) of this act resulting from damage to or destruction of real or personal property due to flood as defined in this act. The Administrator may seek to achieve this end by offering a program of appropriate reinsurance within the authority granted him by this act.

(d) Wherever practicable, the Administrator may encourage, by offering suitable reinsurance subject to the provisions of this act, the issuance by private insurance companies of policies insuring against loss resulting from damage to or destruction of real or personal property due to flood.

NONDUPLICATION OF AVAILABLE INSURANCE

SEC. 12. (a) No insurance or reinsurance, or loan contract, shall be issued under the provisions of this act covering risks against which insurance is available on reasonable terms from other public or private sources.

(b) No insurance or reinsurance shall be issued under the provisions of this act on any property declared by a duly constituted State or local zoning authority, or other au-

thorized public body, to be in violation of State or local flood zoning laws.

(c) After June 30, 1958, no insurance or reinsurance shall be issued under the provisions of this act in any geographical location unless an appropriate public body shall have adopted and shall keep in effect such flood zoning restrictions, if any, as may be deemed necessary by the Administrator to reduce, within practicable limits, damages from flood in such location.

USE OF OTHER PUBLIC AND PRIVATE FACILITIES

SEC. 13. (a) In providing insurance or reinsurance under this act, the Administrator shall use to the maximum practicable extent the facilities and services of private organizations and persons authorized to engage in the insurance business under the laws of any State (including insurance companies, agents, brokers, and adjustment organizations); and the Administrator may arrange for payment of reasonable compensation therefor.

(b) In providing insurance or reinsurance under this act, the Administrator may use the services of other public agencies, and pay reasonable compensation therefor.

(c) The Administrator may supply, receive from and exchange with other agencies of the Federal Government, State, local, and interstate commissions or agencies, and private organizations experienced in the fields of insurance or reinsurance, such information as may be useful in the administration of the programs authorized by this act.

(d) In carrying out the functions authorized in this act, the Administrator may consult with other agencies of the Federal Government and interstate, State, and local public agencies having responsibilities for land use and flood control and for flood zoning and flood-damage prevention in order to assure that the insurance and reinsurance programs are consistent with the programs of such agencies. Where the program of the Administrator may affect existing or proposed flood-control works under the jurisdiction of agencies of the Federal Government these agencies shall cooperate with the Administrator in coordinating their respective programs. The Secretary of Agriculture and the Administrator shall coordinate the administration of their respective programs relating to flood insurance and reinsurance for agricultural commodities.

CLAIMS PAYMENT AND JUDICIAL REVIEW

SEC. 14. (a) Under such regulations as the Administrator may prescribe, he shall arrange for prompt adjustment and payment of valid claims for losses covered by insurance or reinsurance under this act.

(b) Upon disallowance of any claim against the Administrator under color of any insurance or reinsurance made available under this act, or upon refusal of the claimant to accept the amount allowed upon any such claim, the claimant may institute an action against the Administrator on such claim in the United States district court in which a major portion (in terms of value) of the insured property is located. Any such action must be begun within 1 year after the date upon which the claimant receives from the Administrator written notice of disallowance or partial disallowance of the claim. For the purposes of this section, the Administrator may be sued and he shall appoint one or more agents within the jurisdiction of each United States district court upon whom service of process can be made in any action instituted under this section. Exclusive jurisdiction is hereby conferred upon all United States district courts to hear and determine such actions without regard to the amount in controversy.

FUNDS AND TREASURY BORROWINGS

SEC. 15. (a) To carry out the purposes of this act, the Administrator is authorized to establish three funds to be known as the (1) Disaster Insurance Fund, (2) Disaster

Reinsurance Fund, and (3) Disaster Loan Fund.

(b) Into the Disaster Insurance Fund shall be deposited all insurance fees collected by the Administrator for insurance policies issued by him under this act. Into the Disaster Reinsurance Fund shall be deposited all fees collected by the Administrator in connection with reinsurance made available by him under this act. Into the Disaster Loan Fund shall be deposited amounts accruing to the United States in connection with loan contract transactions.

(c) Moneys in each of the funds may be invested in obligations of the United States or in obligations guaranteed as to principal and interest by the United States. Such obligations may be sold and the proceeds derived therefrom may be reinvested as above provided if deemed advisable by the Administrator. Income from such investment or reinvestment shall be deposited in the respective fund from which the investment was made.

(d) All salvage proceeds realized by the Administrator in connection with insurance made available under this act shall be deposited in the Disaster Insurance Fund; and all salvage proceeds realized by the Administrator in connection with reinsurance made available under this act shall be deposited in the Disaster Reinsurance Fund.

(e) The Administrator is authorized to issue to the Secretary of the Treasury from time to time and have outstanding at any one time, in an amount not exceeding \$500 million (or such greater amount as may be approved by the President) notes or other obligations in such forms and denominations, bearing such maturities, and subject to such terms and conditions as may be prescribed by the Administrator, with the approval of the Secretary of the Treasury. Such notes or other obligations shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the current average rate on outstanding marketable obligations of the United States of comparable maturities as of the last day of the month preceding the issuance of such notes or other obligations. The Secretary of the Treasury is authorized and directed to purchase any notes and other obligations to be issued hereunder and for such purpose he is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under such act, as amended, are extended to include any purchases of such notes and obligations.

The Secretary of the Treasury may at any time sell any of the notes or other obligations acquired by him under this section. All redemptions, purchases, and sales by the Secretary of the Treasury of such notes or other obligations shall be treated as public debt transactions of the United States. Funds borrowed under this section shall be deposited, in such proportions as the Administrator deems advisable, in the Disaster Insurance Fund, the Disaster Reinsurance Fund, and the Disaster Loan Fund.

(f) Moneys in the Disaster Insurance Fund, the Disaster Reinsurance Fund, and the Disaster Loan Fund may be used for the following purposes as deemed necessary by the Administrator:

(1) To pay from the Disaster Insurance Fund proved and approved claims for loss under, and other nonadministrative expenses arising in connection with, insurance policies issued by the Administrator under this act;

(2) To pay from the Disaster Reinsurance Fund proved and approved claims under, and other nonadministrative expenses arising in connection with, reinsurance agreements entered into by the Administrator under this act;

(3) To pay for the Disaster Loan Fund the amounts of loans made by the Administrator, amounts in payment of guarantees, and other nonadministrative expenses in connection with direct and guaranteed loans under this act; and

(4) To repay to the Secretary of the Treasury sums borrowed from him in accordance with the provisions of subsection (e) of this section.

(g) All administrative expenses of the Federal Government under this act shall be paid from funds appropriated by the Federal Government.

ADVISORY COMMITTEE

SEC. 16. In carrying out his functions under this act, the Administrator shall appoint an advisory committee as authorized by section 601 of the Housing Act of 1949, as amended (68 Stat. 590, 645). Such committee shall consist of not less than 3 nor more than 15 persons familiar with the problems of insurance or reinsurance, to advise the Administrator with respect to the formulation of policies and the execution of functions under this act.

STUDIES

SEC. 17. (a) The Administration shall undertake a continuing study of the practicability of extending the coverage of insurance programs similar to those authorized under this act to any one or more natural disaster perils, other than flood, against which, and for the period during which, insurance protection is not generally and practically available in all geographical locations from other public or private sources.

(b) The Administrator shall also undertake a continuing study of participation by private insurance companies in the programs authorized by this act, in order that the protection it authorizes can be provided, whenever practicable, through insurance policies issued by private insurance companies and reinsured with the Administrator, in lieu of providing such protection through insurance policies issued in the name of the Administrator.

(c) The Administrator shall undertake a continuing study of the feasibility of having private insurance companies take over, with or without some form of Federal financial support, the insurance programs authorized by this act.

ADDITIONAL FUNCTIONS

SEC. 18. For the purpose of carrying out functions under this act the Administrator may—

(a) sue or be sued:

(b) without regard to sections 3648 and 3709 of the Revised Statutes, as amended (31 U. S. C. 529 and 41 U. S. C. 5), and section 322 of the act of June 30, 1932 (47 Stat. 412, as amended (40 U. S. C. 278a)), enter into and perform contracts, leases, cooperative agreements, or other transactions, on such terms as he may deem appropriate, with any agency or instrumentality of the United States, or with any State or agency or political subdivision thereof, or with any person, firm, association, or corporation and consent to modification thereof, and make advance or progress payments in connection therewith;

(c) without regard to sections 3648 and 3709 of the Revised Statutes, as amended (31 U. S. C. 529 and 41 U. S. C. 5), and section 322 of the act of June 30, 1932 (47 Stat. 412, as amended (40 U. S. C. 278a)), by purchase, lease, or donation acquire such real and personal property and any interest therein, make advance or progress payments in connection therewith, and hold, use, maintain, insure against loss, sell, lease, or otherwise dispose of such real and personal property as the Administrator deems necessary to carry out the purposes of this act;

(d) appoint, pursuant to civil-service laws and regulations, such officers, attorneys, and employees as may be necessary to carry out the purposes of this act; fix their compensation in accordance with the provisions of the

Classification Act of 1949, as amended; define their authority and duties; provide bonds for such of them as he may deem necessary; and delegate to them, and authorize successive delegations by them, of such of the powers vested in him by this act as he may determine;

(e) conduct researches, surveys, and investigations relating to flood insurance and reinsurance and assemble data for the purpose of establishing estimated rates, fees, and premiums for flood insurance and reinsurance under this act;

(f) issue such rules and regulations as he deems necessary to carry out the purposes of this act; and

(g) exercise all powers specifically granted by the provisions of this act and such incidental powers as are necessary to carry out the purposes of this act.

RESERVATION OF RIGHTS IN REAL ESTATE ACQUIRED

SEC. 19. The acquisition by the Administrator of any real property pursuant to this act shall not deprive any State or political subdivision thereof of its civil or criminal jurisdiction in and over such property or impair the civil rights under the State or local law of the inhabitants on such property.

TAXATION

SEC. 20. Nothing in this act shall be construed to exempt any real property, acquired and held by the Administrator in connection with the payment of any claim under this act, from taxation by any State or political subdivision thereof, to the same extent, according to its value, as other real property is taxed.

ANNUAL REPORT

SEC. 21. The annual report made by the Administrator to the President for submission to the Congress under existing law on all programs provided for under this act shall contain a comprehensive report concerning (1) the operation of insurance, reinsurance, and loan programs authorized under this act, and (2) the status and result of studies authorized under section 17 of this act, together with such recommendations, if any, for legislative changes deemed by the Administrator desirable to improve the operation of programs authorized under this act. The annual report for the calendar year ending December 31, 1961, shall contain an express opinion of the Administrator, supported by pertinent findings, concerning the advisability of withdrawing in whole or in part Federal financial support for insurance policies to be issued at any time after June 30, 1962, offering protection as authorized in this act, taking into consideration the desirability of offering such protection. Such opinion shall be accompanied by recommendations for legislative changes deemed desirable by the Administrator in the event the opinion is to the effect that any such withdrawal of financial support is advisable.

DEFINITIONS

SEC. 22. As used in this act the term—

(a) "Flood" includes any flood, tidal wave, wave wash, or other abnormally high tidal water, deluge, or the water component of any hurricane or other severe storm, surface landslide due to excess moisture, and shall have such other meaning as may be prescribed by regulation of the Administrator;

(b) "Person" means an individual or group of individuals, corporation, partnership, association, or any other organized group of persons, including State and local governments and agencies thereof;

(c) "United States," when used in a geographic sense, means the several States, the District of Columbia, the Territories, the possessions, and the Commonwealth of Puerto Rico;

(d) "State" includes the several States, the District of Columbia, the Territories, the

possessions, and the Commonwealth of Puerto Rico; and

(e) "Administrator" means the Housing and Home Finance Administrator.

SEPARABILITY PROVISION

SEC. 23. If any provision of this act or the application of such provision to any person or circumstances shall be held invalid, the remainder of the act and the application of such provision to any person or circumstance other than those as to which it is held invalid shall not be affected thereby.

Mr. SPENCE (during the reading of the bill). Mr. Chairman, I ask unanimous consent that the bill be considered as read and open for amendment at any point.

The CHAIRMAN. Is there objection to the request of the gentleman from Kentucky?

There was no objection.

Mr. SPENCE. Mr. Chairman, I ask unanimous consent that our very able and efficient Clerk may read a telegram, which is on his desk.

The CHAIRMAN. Is there objection to the request of the gentleman from Kentucky?

There was no objection.

The Clerk read as follows:

PROVIDENCE, R. I., July 16, 1956.

Congressman BRENT SPENCE,

Chairman, House Banking and Currency Committee, House of Representatives, Washington, D. C.

We are pleased that your committee has reported favorably a Federal disaster insurance bill. This legislation is tremendously important to our region and to the country. We hope you will continue to help passage of this legislation before adjournment. We are particularly glad your committee eliminated the requirement for States to share the cost and we feel it is important for the House and for the conference committee to concur in this action. The New England Governors Conference meeting in Newport, R. I., today expresses its appreciation for your fine cooperation in advancing this legislation.

Regards.

DENNIS J. ROBERTS,

Chairman, New England Governors Conference.

Mr. PHILLIPS. Mr. Chairman, I move to strike out the last word.

(Mr. PHILLIPS asked and was given permission to revise and extend his remarks and to speak for 3 additional minutes.)

[Mr. PHILLIPS addressed the Committee. His remarks will appear hereafter in the Appendix.]

Mr. MULTER. Mr. Chairman, I rise in opposition to the pro forma amendment and ask unanimous consent to proceed for 5 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from New York?

There was no objection.

The CHAIRMAN. The gentleman from New York is recognized for 10 minutes.

Mr. MULTER. Mr. Chairman, I am taking this time to try to give the House a better idea of what this bill seeks to do and to answer any questions, if I can, that may be in the minds of Members as to what this bill is intended to do and how we hope to accomplish its desirable ends.

I cannot recall any other instance in my short period of service here when there were more bills introduced on a particular subject than on this one. When our committee went into executive session, if my recollection serves me right, we had a count of some 72 Members of the House who had introduced bills on this subject; 25 Members, who were not members of the committee, came before it and testified in support of the principle of this bill asking that we bring to the floor of the House a disaster insurance bill. This is far from a perfect bill. It is the best we could do with a very difficult subject as an initial step.

Everybody understands, and we say explicitly in our report, this bill it is an experiment. It is an experimental plan which may or may not work, but let us put something into effect; let us try it, let us constantly survey it and review it, and then improve on it after we have had a year or two experience. In time we may be compelled to decide to repeal it. But it is our duty to at least make an initial try at solving the problem.

Let us understand, too, an insurance program or bill is not something new or novel in Federal Government activity. We have in existence today 15 different insurance plans sponsored by the United States Government, run by the United States bureaus. Crop insurance is only 1 of the 15.

Mr. PHILLIPS. Mr. Chairman, will the gentleman yield?

Mr. MULTER. I yield to the gentleman from California.

Mr. PHILLIPS. Will the gentleman tell us why the committee chose insurance for so difficult a subject as compared to straight disaster relief which does not have to tell in advance through some crystal ball where you ought to insure?

Mr. MULTER. We have been struggling along all through the years giving relief when a disaster occurred. We would move in and try to take care of a particular situation as it confronted us after the disaster. We have had bills year in and year out to prevent the damages caused by these disasters. We are still working on those programs. No one stands up here and says: "Let us forget about the disasters, let us not try to prevent the damage caused by them." We have had bills to try to lessen and to prevent such damage. We know from the information that has been submitted to the Congress that it will take 50 years to get existing and contemplated programs completed, which may prevent floods and which lessen the dangers of disasters of this kind.

We are not going to insure under this bill against all natural disasters, although some of the bills introduced asked for that. I am not so sure but what that should have been done. I think we should have included all natural disasters under this plan.

But the greater consensus of opinion seems to be: Let us move slowly, let us proceed with the subject of damage caused by floods, and if we can work that out and it works out all right, maybe we can broaden it. On the other hand maybe we will have to abandon it altogether.

Mr. PHILLIPS. The gentleman means to minimize the losses?

Mr. MULTER. The gentleman is right. I do not think we will ever prevent floods, but we can minimize the losses. The present estimate is that if we spend all the money we are spending and more, too, it will take us 50 years to get to the point where we can prevent some of these catastrophes and the damage that is caused by them.

Bear in mind that the committee was most reluctant to have the Government get into this new field of insurance. We begged, we plead, we cajoled the insurance underwriters to come forward with some plan, something by which they could get into this and do it privately. We asked them to come in with a plan so the Government would limit its activities to a reinsurance plan. We could not get them to do anything about it.

We groped around in the dark and came up with the best we could. We come before you and say: Here is the plan. Now, when the insurance companies come forward and say: We will write this insurance at a reasonable rate, the Government under this bill is restricted from selling insurance in that area or to those persons. This bill gives our people the right to buy this insurance from the Government only where the private insurance companies will not sell it.

My district and many of the districts in my immediate area do not need this bill. Thank God, we have not suffered these catastrophes. But if you ever had the experience we have had and that I have had—such as when it was my duty to go through some of these flood areas as chairman of a Subcommittee on Small Business that had jurisdiction over disaster loans—there is not a one of you who would not be up here saying that we must have this kind of a bill. Let us move forward and try to do something about it.

I started to indicate what happens in the insurance field. Somebody raised the question last week as to what can be the maximum loss that the Government can sustain under this program. The maximum amount of insurance under any condition that can be written under this program is \$5 billion, \$3 billion in the first instance and the President may allow additional insurance to the extent of \$2 billion. But that does not mean there will be a \$5 billion loss.

The best analogy I can give to you on that subject is in the fire-insurance field. Today there is more than \$160 billion of fire insurance outstanding. Does anyone think that any one of the companies or all of the companies will have to pay out the maximum amount of \$160 billion any time or in any one year? Does anyone believe that these insurance companies will have to pay the full face amount of the policies outstanding?

Let us take into account one more thing as an analogy with reference to what our losses may be. You have in the RECORD testimony as to the maximum amount of losses in any one year caused by floods. It has never gone over \$1.2 billion in any one year. The average is \$240 million a year during the last 24

years. Some years it was as low as \$2.8 million.

The insurance companies on their fire insurance with about \$165 billion face amount of insurance outstanding have never been called upon to pay more than a maximum of 43 percent of the premiums collected. The maximum amount of premiums collected, according to the latest reports we have, was in 1954, which was \$1,654,000,000, and the total amount of losses paid out was 43 percent of that. On their extended coverage, which takes in wind, tornado, and water damage out of aggregate premiums collected of \$510 million in 1954, they paid out in losses 65 percent; not 65 percent of the face amount of the policies but 65 percent of the premiums. So, having that in mind, you must surely agree with me that we will never be called upon to pay the maximum of the insurance that is permitted to be written under this program.

Mr. CANFIELD. Mr. Chairman, will the gentleman yield?

Mr. MULTER. I yield to the gentleman from New Jersey.

Mr. CANFIELD. No one ever knows when or where these floods will come.

Mr. MULTER. The Lord does not tell us.

Mr. CANFIELD. One does not have to live alongside a river or a stream. The worst kind of floods are the flash floods that follow hurricanes, which can come at any time anywhere.

Mr. MULTER. That is true. Up to a few years ago, those of us in New York City said, "A hurricane will never strike New York City." Yet, we have been stricken twice by hurricanes in the last few years.

Mr. PATTERSON. Mr. Chairman, will the gentleman yield?

Mr. MULTER. I yield to the gentleman from Connecticut.

Mr. PATTERSON. I want to associate myself with the gentleman and tell him that he has done a very commendable job. I can remember when he came out into my country and saw exactly what happened. The only relief we got for the individual, the little fellow that lived down along the river, was from the Red Cross.

Mr. MULTER. Quite right, sir.

Mr. PHILLIPS. Mr. Chairman, will the gentleman yield further?

Mr. MULTER. I yield.

Mr. PHILLIPS. I am perfectly willing to agree that this is a novel idea, but I want you to tell the gentleman from Connecticut how that little fellow down by the river was going to have this insurance before the flood came. How did he know the flood was coming?

Mr. MULTER. He now knows that it has come. If we pass this bill, he can get his insurance.

Another point you raise. After this program gets working, the State is called upon to participate, not in paying the loss—

Mr. PHILLIPS. Not in this bill.

Mr. MULTER. We took it out of this bill, the requirement for the State to pay part of the subsidy, because as the bill came to us from the Senate it required that in 1959 the States should begin to participate by paying a part of the premium. When we and the States see how

this program is working in 1957, 1958, and 1959, then we will decide whether to bring the States in. Up to this moment many States have indicated that they will not or cannot participate in any program requiring them to take part in it, so far as financial assistance is concerned. There is no more reason for a State to pay part of this premium than to require such payments in crop insurance. We never required it under that program.

Mr. PHILLIPS. You will still have demands for distress payments.

Mr. MULTER. We cannot foreclose that. And I am sure if disaster occurs, where it is not covered by this law, we will come to their aid just as we have always done.

Mr. PHILLIPS. This is a supplementary program, and you have not said yet how you are going to know in advance whether he will take out insurance.

Mr. MULTER. We had the weather people before us, and all of the other departments before us. They can tell us what areas need special attention. The States are required to participate in this program by setting up zoning regulations. States that do not do that will be excluded from the program. So will persons who violate the zoning restrictions.

The CHAIRMAN. The time of the gentleman from New York has expired.

Mr. DIES. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. DIES: On page 25, line 13, after the word "States", strike out the period and insert a semicolon and the following: "Provided, That after June 30, 1959, each State shall pay from time to time into the disaster insurance fund, hereinafter created, an amount equal to one-half of the difference between the fees charged for insurance policies issued after such date on property in such State, and the amount which would have been charged if the 'estimated rates' were applied."

Mr. McCORMACK. Mr. Chairman, I make a point of order against the amendment but reserve it at this time.

Mr. DIES. Mr. Chairman, I ask unanimous consent to proceed for 5 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. DIES. Mr. Chairman, this amendment seeks to restore to the bill that provision that was in the Senate bill which says:

That after June 30, 1959, each State shall pay from time to time into the Disaster Insurance Fund, hereinafter created, an amount equal to one-half of the difference between the fees charged for insurance policies issued after such date on property in such State, and the amount which would have been charged if the "estimated rates" were applied.

The House committee took that provision out of the bill.

Mr. Chairman, over the weekend I read the bill and the report of the committee carefully. The committee is quite frank in its presentation of this bill. It acknowledges that it is an experiment. They have no idea whether it will be

successful. There can be no question about the fact that the people in New England and in the Carolinas have suffered tremendous losses on account of floods. I am sure all of us are deeply sympathetic with the tremendous problems presented by those floods.

However, there are some facts with reference to this bill that the Members should understand. In the first place, the total amount of policies that can be issued is stated at \$5 billion; \$3 billion in the bill, and the President has the authority to increase that amount \$2 billion, and loans may be granted to the extent of \$2½ billion.

In other words, here is a program which can commit the Government to an obligation of \$7½ billion. I understand that premium fees will be collected and that the possible loss will not be \$5 billion.

There is a provision for a subsidy of approximately 40 percent. However, there is another provision which gives authority to increase the subsidy in the cases of those who are unable to pay the premium rates.

Mr. Chairman, it seems to me that we ought to give very careful and sober thought and consideration to the plight of our Government. We are already committed to about \$750 billion of obligations. I know it will be argued that the Government will not have to pay those obligations, but suppose we have a severe depression—and there is not a man who can say that we will not have another depression. In the long history of the United States we have had alternate periods of boom and depression and there may come a time when our country will face a severe depression. If that should happen what are we going to do with all of the direct and indirect obligations that we have already made?

The other body placed a provision in this bill requiring each State to pay one-half. That was taken out of the bill. And you heard the telegram of the governors of the New England States congratulating the committee because they removed it.

Mr. Chairman, it seems to me the time has come when we must say to the States and their governors, "Are you willing to shoulder your responsibilities? Some of you are always meeting in convention and denouncing Congress for violating States rights, and yet when any measure comes before Congress you are anxious for the Federal Government to pay the bill."

Why? Why should not each State contribute one-half of the cost of this program? The States are in far better financial condition than the Federal Government. I do not think there is a State in this Union that is in the serious financial plight of the Federal Government. Why should the State governors and why should we as representatives of districts impose upon this already overburdened Federal Government obligations that at least ought to be shared by our States?

The committee's report explains it by saying that the States have constitutional amendments and that they cannot afford to foot the bill. It is the same argument they used on the Federal

aid to education bill. What can prevent the States from removing their constitutional amendments if they want to solve this problem of tremendous losses through floods? If there is a strong sentiment in the districts of these gentlemen for some measure of protection, what is there to prevent the States of this Union from sharing the responsibility, and what will become of our States if Congress discharges all of the duties and responsibilities of government?

I fear, and I fear it sincerely, that we are going to reduce the States of this Union to mere instrumentalities. They are losing their entity. It is this process of the Federal Government's assuming all of the obligations and the governors and officials of the States being willing for us to do it, and applying pressure upon us to support that sort of policy, which is whittling down State sovereignty and States rights.

Mr. Chairman, suppose we pass this legislation and we add another burden of \$7.5 billion of indirect obligations to the Federal Government. That would further increase the astronomical and staggering national obligation to heights that have never been known in the history of the world. Are we serving the interests of our States and of our peoples by continuing this policy? Are we serving the interest of America when we permit the States through their governors to petition us to undertake without their participation program after program? Yet when we suggest to them that they participate in a program some of them are not willing to do so; in fact, some of them had rather abandon a program than have to share in its costs.

Mr. MACDONALD. Mr. Chairman, will the gentleman yield?

Mr. DIES. I yield to the gentleman from Massachusetts.

Mr. MACDONALD. Do I take it that the gentleman would like the State of Texas to participate in the drought payments that are made by the Federal Government?

Mr. DIES. The drought relief is entirely a different proposition. We gave tremendous relief to the people of New England, and we ought to give it to them. Wherever there is a flood or a drought or a national calamity, as a matter of humanitarianism, whether here or abroad, of course we are going to help. But here you have an entirely different proposition.

Do you know that under this bill you are going to insure the property of the States and the local units of government? Did you ever hear of anything as audacious as that? Do the governors and officials of States want the Federal Government, which has the greatest burden ever known in history, to insure their own property? Under this bill we are going to subsidize insurance for States that are infinitely better off than we are.

Let me say something else: Do you have any idea what faces us in the next 4 or 5 years? Suppose we go to war. I pray to God that we will not, but certainly we must anticipate that there is a real danger that America may be involved in the most disastrous war in

history. Are we not going to need all of the money and all of the resources that we can possibly marshal? I read in the paper this morning that the cost of living had gone up to the highest point ever known. Do you know why that cost of living continues to go up? It is because this Federal Government continues to run deficits and borrow money through the most unsound methods ever known. Do you know how you are getting this money? You are not getting it honestly. You are selling bonds to your own agency, the Federal Reserve Bank, and it is a vicious process of inflation.

Mr. Chairman, I hope this amendment will be adopted.

(Mr. BARDEN asked and was given permission to extend his remarks at this point in the RECORD.)

Mr. BARDEN. Mr. Chairman, I find that the House will not have an opportunity to consider the bill (H. R. 11799) reported by my committee known as the Overseas Fair Labor Standards Act; a rule was granted and reported to the House July 17.

I am informed that this bill will not be taken up because the Philippine government is opposed to it because certain provisions are alleged to discriminate against certain Filipino workers in Guam.

This is a serious charge; this House deserves the facts, even though it will have no opportunity to act on the bill. At the outset I want to deny, categorically, that this bill discriminates against Filipinos or citizens of any other nation; it treats all alike.

But, by way of explanation, let me tell you why the bill ought to be passed.

The Supreme Court has decided, in one of its legislative moods, that we wanted the wage-hour law to be extended to our military and naval bases overseas, both in foreign countries and in certain territories and possessions. Needless to say there is absolutely no indication that Congress, at any time even considered applying the wage-hour law to overseas bases, either in foreign countries or in possessions and territories—and I know we never intended such coverage.

It has not yet been decided that the actual work done is "in commerce or in the production of goods for commerce", as required by the act; but this is just the next step.

So I appointed a subcommittee and we looked into the matter. We found that our overseas bases had been and were being built with native labor. We found that we had been paying whatever the prevailing wage was in the country where the base was being built; in north Africa, for example, we paid Arabs about 10 cents an hour. We also found that the Defense Department had agreed to reimburse its contractors if it came about, at some later date, that the wage-hour law was applicable. We also found that the wages to be paid were based on agreements between the foreign countries and this country, as worked out by the Department of State.

So we drafted a bill, H. R. 11799.

This bill says, as simply as we could say it, that we never intended the wage-hour law to apply to work done in con-

structing United States military and naval bases in foreign countries and in these possessions.

Insofar as the overseas bases in foreign lands are concerned, that ends it; insofar as Guam, Wake Island, America Samoa, and the Panama Canal Zone are concerned, we proposed to establish tripartite industry committees to determine what the minimum wages should be in the future.

Now why does this concern the Philippine Government?

Here is why: In one of these bases, in Guam, we have been using labor imported from the Philippines because we could not get native labor. We went to the Philippine Government and agreed to pay, not what they were getting in the Philippines, but 25 percent more, plus room, board, and medical and dental services and transportation to and from Guam. All of which amounted to approximately 54 cents per hour, or more than twice the 25 cents an hour minimum in the Philippines.

The United States has lived up to that agreement to the letter. Some 13,000 Filipinos have been imported to Guam under the above agreement.

But then the Supreme Court comes along and says that this work might be covered by the minimum wage law at some time in the future. This means that the some 13,000 Filipinos might be entitled to the difference between the minimum wage required of business in this country and what they have been paid in the past.

What will it cost the United States?

Let us remember, that by not passing this bill, we not only make it possible for these 13,000 Filipinos to get this unexpected windfall, but we make it possible for hundreds of thousands of other foreigners, Japanese, Iranians, Okinawans, Cubans, Turks, Greeks, and on and on to do exactly the same thing these Filipinos are planning to do to the United States.

The potential cost to this Government could be approximately one and one-half billions of dollars if we let this thing run on—I repeat, one and one-half billions.

Yet we are not considering it because the Government of the Philippines does not want us to do so. Yet, the Department of State, War, Navy, Air Force, Defense, Interior, and Labor want it handled.

Just one more word on this thing. I said at the outset that there was no discrimination involved; there is not. This bill treats the Philippine Government and the Filipino workers precisely and exactly the same as workers recruited from all of the other foreign countries where these bases are being built. The Filipinos will receive no more and no less fair treatment than we have provided for the nationals of all other countries in the world.

Yet, of all the countries involved, only the Philippine Government has seen fit to protest.

Mr. McCORMACK. Mr. Chairman, I withdraw the point of order.

Mr. SPENCE. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, it is my opinion, unless we make available insurance equally

to all peoples similarly situated, we should not have an insurance law. The theory of this insurance is that the insured will pay the premium for the insurance. It would be gaged on the actuarial experience and the probability of flood. If you make the State pay half of the damage and the loss—in many States there will be no insurance. In other States, there will be insurance. In many of the States where the necessity for the insurance is the greatest, there will be none. This is a difficult problem. Sometimes we have made forward steps that have cost us nothing. If we carry out the theory upon which this is based, it will not entail a great loss by the Government. Certainly I would not support an insurance plan by the Government that would make available insurance to some and not to others similarly situated because of lack of State action.

Mr. Chairman, I ask that the amendment be defeated.

Mr. OLIVER P. BOLTON. Mr. Chairman, I move to strike out the last word and rise in support of the amendment.

Mr. Chairman, I think I should make it clear at the outset that I do so as one who is opposed to the bill. But, I rise in support of this amendment because of the use in connection with this whole plan of the word "insurance." Mr. Chairman, insurance contemplates a spreading of the risk. There is no spreading of the risk under this bill because by its very terms, it is patent that the only ones who will be taking insurance will be those who are in the flood areas. One can say it is a complete subsidy, but when one reads the language on page 29 one can see that behind the bill is a risk provision for almost the total face amount of the policies if the Administrator so desires, at least as far as owner-occupied dwellings are concerned. Therefore, I rise in support of this amendment, in that by requiring all the States in which insurance is made, to participate in the plan we will at least be spreading the risk over the entire State, and will be coming perhaps closer at least to the term which is applied, mistakenly I believe, to this program in this bill, namely, "flood insurance."

Mr. BOLAND. Mr. Chairman, I rise in support of the amendment.

I listened with interest to the telegram from the governors of the New England States, but I think there is a responsibility on the part of the individual States to do something about this particular program. Too often the States, as was so eloquently stated, run to the Congress with every problem they have, and expect the United States Government, the Federal Government, to take care of every problem that arises in the several States. Here is an opportunity for the States to do something for the very people for whom they desire that something be done.

It would seem to me that this is a reasonable request. The bill is a substitute for a Senate bill, and the Senate bill included this particular provision. As was stated so well by the gentleman from New York [Mr. MULTER], this is a bill where there is a great deal of discretionary power left with the Administrator of the Housing and Home Finance

Agency in the administration of this particular bill. All of us realize the type of man who is Administrator of the Housing and Home Finance Agency. I think the gentleman from California [Mr. PHILLIPS], knows him as well as any man in this Chamber, and when he expresses some concern about how this will be run and whether this will be a great bureaucracy, I think the very nature of Mr. Cole indicates it will not be so.

As far as this amendment is concerned, there is a responsibility on the part of the State to do its share.

Mr. CANFIELD. Mr. Chairman, will the gentleman yield?

Mr. BOLAND. I yield.

Mr. CANFIELD. This amendment, in principle at least, is consistent with the administration's recommendation on this subject?

Mr. BOLAND. That is right. This is an experiment. It is a complete experiment. One way to determine whether it is good is to get this adopted. This is one way to get this bill passed. It is the only way to get a flood-insurance bill during this session.

Mr. FLOOD. Mr. Chairman, will the gentleman yield?

Mr. BOLAND. I yield.

Mr. FLOOD. It is my conclusion from listening to this argument that if this amendment succeeds you will destroy this bill.

Mr. BOLAND. I do not share the gentleman's concern at all. I think if this amendment does not succeed you will destroy the bill.

Mr. FLOOD. Will the gentleman yield further?

Mr. BOLAND. I will.

Mr. FLOOD. The gentleman knows the interest of some States will not be as paramount as some others.

Mr. BOLAND. That is true.

Mr. FLOOD. Then we agree on that.

Mr. BOLAND. There is complete agreement on that.

Mr. FLOOD. The gentleman knows that many States will not participate. The funds will be raised to such an extent that it will be prohibitive.

Mr. BOLAND. The gentleman does not know now how many people will participate.

Mr. FLOOD. The passage of this amendment will completely destroy this bill.

Mr. BOLAND. I disagree completely with the gentleman. As a matter of fact, this amendment gives this proposal a real chance of being enacted into law, perhaps the only chance.

This committee must realize that this bill must go to conference with Members of the Senate. The Senate bill on flood insurance included the features of participation by States in the matter of meeting the cost of the fees charged for policies issued under this proposal. In the face of congressional adjournment and the Senate's position on this matter, it seems to me elementary that we will not get a flood insurance bill at all if this amendment is not written into the bill. As a matter of fact there is serious doubt that the bill will pass this very body unless we incorporate the amendment into the bill.

Mr. Chairman, I suggest that those of us in this House who are deeply concerned about flood insurance take what we can get. The bill with the amendment of the gentleman from Texas [Mr. DIES] will have clear sailing with the Senate and I am confident will meet with approval of the President.

I ask the Members from those areas that are not affected by the ravages of floods to join us in passing this bill. It is in the nature of an experiment. There are enough safeguards to protect the interest of the taxpayer. The discretionary power provided to the Administrator of the Housing and Home Finance must be granted for this is in truth an experiment. It is an experiment that can, given proper drive and enthusiasm, succeed. It well might be proven in the days and years ahead to be one of the most worthwhile and beneficial programs that this Congress has passed upon.

The CHAIRMAN. The time of the gentleman has expired.

Mr. FOUNTAIN. Mr. Chairman, I rise in opposition to the amendment of the gentleman from Texas [Mr. DIES], and as one who offered the amendment in committee striking the Senate amendment requiring State participation on a 50-50 basis after June 30, 1959. I ask unanimous consent to proceed for 5 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

Mr. FOUNTAIN. Mr. Chairman, the gentleman from Texas has made a seemingly meritorious argument in support of his amendment to require State participation after June 30, 1959. I find myself, in most instances, believing as he believes on matters of this kind. I am not philosophically opposed to the idea. It sounds right and is ordinarily proper when Federal funds will be used. As a matter of fact when I began talking with representatives from my own State before I knew too much about this legislation I contended that it appeared to be a matter in which the individual States should participate. The more I studied this legislation, however, and the practical problems to flow from it, the more I was convinced that now is not the time to make a decision concerning State participation, even though such participation is postponed. I believe this amendment may well defeat the purpose of this bill and have the effect of keeping some States, perhaps many of them, out of this program even though they might wish to come in, and should be entitled to that privilege.

I am satisfied that this particular matter, as well as this entire legislation, has been very carefully and thoroughly studied. The Senate Banking and Currency Securities Subcommittee, after some eight or more hearings, in Connecticut, Rhode Island, Massachusetts, New York, District of Columbia, and finally Washington, and after careful consideration of many proposals, unanimously voted out this legislation, substantially as it is, without the requirement of State participation. The full Senate Banking and Currency Commit-

tee voted it out unanimously. I took occasion to study the debate on the floor of the Senate on May 10 when and where this amendment was adopted by a vote of 39 to 31, with 25 not voting. There were some in the Senate committee who originally took the position that the States should be required to participate. I believe the distinguished Senator from Connecticut, Senator BUSBY, at first took that position. After more careful study of the problems involved, however, he stated—and so did others—that he was convinced the States should not be required to participate for a number of reasons, and among those was the fact that practically every State has a constitutional prohibition against the use of public funds for private purposes. In addition, there is the serious question of the financial ability of many States even if the people of the States voted to remove the constitutional prohibition.

Mr. DIES rose.

Mr. FOUNTAIN. I think I can anticipate what the gentleman is going to ask and I will try to give him an answer.

Mr. DIES. I do not think the gentleman understood this amendment. This amendment does not compel them to participate until June 30, 1959.

Mr. FOUNTAIN. I was anticipating that question, and I am going to get into that. This amendment raises a constitutional question with the States.

Let us assume for the purposes of the argument that every State could have its legislature meet within the next 3 years and on that a constitutional amendment can be submitted for consideration by the people. The people of those States will still have to vote on the proposition. Let us further assume for purposes of argument, and this is a very doubtful assumption, that each of the States between now and June 30, 1959 would adopt a constitutional amendment authorizing the States to participate on a 50-50 basis. Under the laws of most of the States, a finding of a lack of public purpose, if made, could not be cured merely by a constitutional amendment. Some courts have already created a body of law indicating that such an amendment would likely be in conflict with provisions of the United States Constitution dealing with a republican form of government, and equal protection of the laws to all persons, despite State action to the contrary. I cite article 10, section 4 of the Federal constitution, and amendment No. 14.

I am convinced there are many States in the union which could not afford to participate in this program by 1959. Many others could never bear the burden.

The requirement now of State participation after June 30, 1959 will, in my opinion, cause lengthy and unnecessary delays in getting under way a program so desperately needed now.

It would handicap the program in most of the States and make it totally ineffective in the States that need it most.

However, let us not forget that this is not a State problem. If the State of North Carolina, for example, could stop the waters of some river from flowing into North Carolina from another

State, and vice versa, it would be a different situation. Take New York State as an example. I understand that one of the worst flood areas we have in the country is created by the merging of two rivers, the Susquehanna and the Chenango. I am told that eight-tenths of the Susquehanna flows through Pennsylvania, that it comes to New York State only at Binghamton, which, at times, has been badly flooded. The Chenango River is in New York State.

Take the Delaware River. It affects New York, Pennsylvania, and New Jersey. It may well affect others.

What will be the attitude of people in these States when they know that different courses may be taken in each State, and when they are told that after 3 years, they will not know whether or not their insurance will be continued, or whether the States in which they live will change their constitutions. They will not want to take out the insurance. When they buy it, they want some assurance that it will continue. The bill itself already raises enough doubt when it necessarily contains provisions requiring a report later by the Administrator as to the advisability of continuing the program longer.

The requirement of State participation is not needed to accomplish the essential purposes for which this amendment is proposed, namely, to provide an incentive to the States to reduce the flood hazards and, secondly, to reduce the possible cost to the Federal Treasury. These ends can be accomplished, practically, at least for the next few years, and effectively by the flood-zone provisions of this bill. Did you know that the Administrator can refuse flood insurance to property owners in any State in the Union where such property is located and used in violation of the State's zoning laws which laws, I should say, have to be approved by the Administrator of this flood-insurance program? After June 30, 1958, it withholds benefits from any area failing to adopt the flood-zoning restrictions deemed necessary by the Administrator.

Mr. OLIVER P. BOLTON. Mr. Chairman, will the gentleman yield?

Mr. FOUNTAIN. I yield to the gentleman from Ohio.

Mr. OLIVER P. BOLTON. If a community adopts flood zoning, and zones a particular area just for dwelling purposes and a dwelling is built in that place, even though it is known that it is a place that ordinarily floods, would this bill then continue insurance on that area?

Mr. FOUNTAIN. If it were zoned, I would think it would affect the insurance premiums because the Administrator has the right to set those premiums according to risk in a particular area. I would say that if there were zoning regulations prohibiting the building of a home or a business establishment in a certain area, such could not be done, or if permitted, I would think the doctrine of caveat emptor might apply. At least where the risk is greatest, the insurance premiums would be highest. This bill gives the Administrator a lot of authority.

Mr. OLIVER P. BOLTON. The Administrator also has the right to place

the premiums wherever he feels the occupants of owner-occupied dwellings can pay?

Mr. FOUNTAIN. He has a right to consider an area and to determine whether or not its people will be able to pay the premiums. I might say that particular provision to which you refer is one which I myself had some serious doubts about. Of course, the Administrator can do a lot of things. We have given the Administrator a tremendous amount of authority and power in this legislation and it is absolutely essential that we do so because we do not yet know enough of the answers. As I have said the Senate Committee on Banking and Currency or rather its Securities Subcommittee, went all over the country and held hearings. That committee met in Washington and held hearings here in the District. The House Committee on Banking and Currency met for many days. It heard a comprehensive range of testimony from representatives of insurance associations and companies, from public officials and from private persons and public-interest organizations in those areas ravaged by floods and hurricanes. My own State, incidentally during the several hurricanes in 1954 and 1955 sustained damages approximating \$300 million.

Let me get back to what I was saying when the gentleman from Ohio [Mr. BOLTON] asked his question.

With such clear mandates to States and local governments to minimize losses by means of zoning laws, any added incentive in the form of monetary contributions by States ceases to have the same importance it would assume without such provisions.

Mr. NICHOLSON. Mr. Chairman, will the gentleman yield?

Mr. FOUNTAIN. I yield to the gentleman from Massachusetts.

Mr. NICHOLSON. There are several States the constitutions of which forbid this kind of a proposition. I do not see how this amendment can help out the flood areas a single bit.

Mr. FOUNTAIN. It certainly cannot if the people of those States do not amend their constitutions immediately and make participation possible by June 30, 1959. Any taxpayer of the State could still take the matter into the courts. I doubt that many States will even attempt to amend their constitutions. There is too much uncertainty about this program. This amendment muddies the water further.

Mr. BOLAND. Mr. Chairman, will the gentleman yield?

Mr. FOUNTAIN. I yield to the gentleman from Massachusetts.

Mr. BOLAND. Does the gentleman believe a contribution on the part of the State as a payment of fees would cause the local authorities to enforce their zoning regulations; that it might also cause them to establish zoning regulations which would reduce the cost?

Mr. FOUNTAIN. Each State will be forced to adopt zoning regulations. If they do not, the potential flood victims cannot participate in this program. They cannot then buy the insurance which this legislation is intended to pro-

vide. This is not a program for States; this is a program designed to afford help to the people of the States, private citizens, potential flood-disaster victims, people whose homes may be wiped out from under them, whose only source of livelihood may be destroyed overnight. It is not charity. We are simply trying to make it possible for them to get, through their Government, what they are not able to get from any other source. This program will not work if only a few States participate. We cannot have a comprehensive flood-control program for the Nation without full participation. The Dies amendment will do far more harm than good at this time.

Mr. FLOOD. Mr. Chairman, will the gentleman yield?

Mr. FOUNTAIN. I yield to the gentleman from Pennsylvania.

Mr. FLOOD. Is there any analogy between this and crop insurance?

Mr. FOUNTAIN. There is analogy; yes.

Mr. FLOOD. Is it not pretty nearly on all fours with crop insurance?

Mr. FOUNTAIN. I think the principle involved is the same. If this amendment is needed, it should be offered after we have gone through an essential trial an error period. Let us not encourage the people of our States to amend their constitutions until we know it is necessary, until we are convinced that the insurance rates, without State help, will be prohibitive.

This amendment will create all sorts of problems, part State and part Federal, problems of coordination between all Federal agencies and with each of the States. All kinds of inefficiencies and prorating of costs and damages difficult to calculate would result.

Without the States we will have one authority administering this program. With participation, in effect, we will have a number of insurance programs enmeshed with the same property subject to all programs. It would be fine to have State help, but I do not believe it will be practical. This Congress has repeatedly turned down State participation in our essential disaster relief programs.

I do not want to see this program under the legislative jurisdiction of every participating State and of the Congress sitting here in Washington, until we are convinced it is imperative.

I have serious doubts that extension of the kind of insurance and loan guarantee protection provided by this legislation, for which property owners will have to pay, should be conditioned upon the requirement that the State first meet some fixed proration of disaster payments.

This is a disaster anticipation program where the Federal Government is the only one properly equipped to handle it. The monetary aspects, while important, will eventually become minor in comparison with the bureaucratic problems which must be solved and which can best be solved by 1 bureaucracy rather than by 51.

Flood-control projects are federally built and federally administered.

This is not a States rights amendment, as it would seem. The only rights

the States get under the Dies amendment is to bear the burden of paying the expenses which the State itself has had no opportunity to prevent.

If you could give any State the power to stop a flood or a hurricane at State lines, then I would say we should not attempt the program without State participation—participation now—not beginning in July 1959.

Mr. Chairman and members of this Committee, I urge the defeat of this amendment. Let us have the experiment; let us go through the trial and error process before we muddy the water by entangling this necessary program with every State in the Union. It is a national not a State or a regional problem. There will be too many chiefs and not enough Indians if States are required to pay the devil and take the hindmost. It is the many little people we want to help—not the many chiefs whom some may want to hire.

In any event, whatever we do about this amendment, let us pass this legislation and abolish the fears that possess our people.

(Mr. FOUNTAIN asked and was given permission to revise and extend his remarks.)

The CHAIRMAN. The question is on the amendment offered by the gentleman from Texas [Mr. DIES].

The question was taken; and on a division (demanded by Mr. FOUNTAIN) there were—ayes 82, noes 58.

So the amendment was agreed to.

Mr. HALE. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I am deeply interested in this legislation and I want to commend the committee for bringing it in. I appeared before the committee in the interest of procuring legislation of this kind. But, there are some questions which arise in my mind under section 2 on page 22, and if I may have the attention of the chairman of the committee, I would like to inquire from him the meaning in his minds of the words "recurring natural disasters."

In the first place, I am not sure what a recurring natural disaster is. It may be that there are certain rivers that have floods every year, and those disasters would be deemed recurring disasters. But, for example, the floods which occurred in Massachusetts and Connecticut last year, as the result of the hurricanes, were those recurring disasters? Would the chairman of the committee inform me what his conception of the word "recurring" is?

Mr. SPENCE. I should certainly say that recurring floods in the Ohio Valley would be natural disasters. I would not think that one flood in New England was a recurring disaster, although it might have been a great disaster. It seems to me that a disaster following a disaster is a recurring disaster. I do not know of any other definition that could be made of it.

Mr. HALE. It is impossible for me to hear the gentleman because his microphone is too low.

Mr. WAINWRIGHT. Mr. Chairman, will the gentleman yield?

Mr. HALE. I yield to the gentleman from New York.

Mr. WAINWRIGHT. I would like to ask the gentleman one further question. By the gentleman's answer is he eliminating from this bill the series of floods and hurricanes that we have had in New York and New England over the past 5 years?

Mr. SPENCE. Is that the question: Can we get flood insurance whether it is a recurring disaster or not? Of course, any flood disaster that occurs, whether it is a recurring disaster or not, you can obtain flood insurance for.

Mr. HALE. Does the gentleman mean that any flood disaster is, ipso facto, a recurring disaster?

Mr. SPENCE. That it is recurring is not a necessary incident to getting the flood insurance. That is a statement of policy and has no effect upon the insurance; whether it is a recurring disaster or not you can obtain the insurance.

Mr. HALE. The gentleman may remember that I am particularly interested in forest fires because we had a disastrous forest fire in Maine in 1947 and forest fires recur in forest areas. Is it clear that that is the type of national disaster against which the Federal Government will insure?

Mr. SPENCE. Forest fires are not covered. The bill is limited to floods and the disaster and damage that follow floods.

Mr. HALE. Am I to understand that in the gentleman's opinion this bill would not include insurance against forest fires?

Mr. SPENCE. No. The Government is invading a field that no private enterprise has ever gone into and will not go into. It is not in competition with any private enterprise. It is limited to flood damage, damage that comes from flood.

Mr. HALE. In the gentleman's opinion the words "in the case of recurring natural disasters, including recurring floods," mean that we cannot get insurance against any disasters except floods?

Mr. SPENCE. I do not think flood insurance goes further than to insure against flood and the incidence of floods.

Mr. HALE. Then I would respectfully suggest to the gentleman that the words "recurring natural disasters, including", ought to be stricken from line 2 of the bill, so that the language should read, "The Congress finds that in the case of recurring floods," and so forth.

Mr. SPENCE. That may be extended in the future, but at the present time it is limited to floods.

The CHAIRMAN. The time of the gentleman from Maine has expired.

Mr. DODD. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. DODD: Page 26, strike out lines 12 to 16 inclusive and insert in lieu thereof the following:

"Each such contract shall contain such terms and conditions, and require from any such person such monetary consideration, as the Administrator may prescribe by regulation. In issuing such regulations the Administrator shall fix such monetary consideration at the lowest practicable amount, following generally the same principles as apply under section 7 (a) with respect to the establishment of fees for insurance."

(Mr. DODD asked and was given permission to revise and extend his remarks.)

Mr. SPENCE. Mr. Chairman, I think the amendment is very desirable and while the Committee has taken no action on it I personally would accept it.

Mr. DODD. I thank the gentleman. It is simply a clarifying amendment. It is practically self-explanatory. It puts the loan part of this bill on the same basis as the conventional or traditional insurance part.

The amendment clarifies a technical aspect of two important sections of the bill before the House. I refer to section 5 entitled "Loan Contracts" and section 6 entitled "Combination of Insurance and Loans." The amendment simply provides that in determining premium rates that the same principles shall be followed for the "loan plan" as are prescribed for determining the rates for conventional insurance.

As many Members of the House know, I have a great interest in the loan feature of this bill. In January of this session I introduced H. R. 7885. The sense of sections 8 and 9 of my bill, I am pleased to say, has been incorporated into sections 5 and 6 of the bill presently under consideration.

This "loan plan" is a good one and I think that time will prove that it will play a large part in making Federal flood insurance a practical reality.

I feel that the loan plan that I have presented will offer a unique solution to the dilemma of finding some form of insurance against floods which can be offered to the public at a low-premium rate without large Federal subsidies.

Briefly, the loan plan offers a solution which provides that a party can purchase a policy at a low-premium rate in which the Government would give the policyholder an absolute promise of a long-term, interest-bearing loan in the event of loss through flood disaster.

The absolute right to obtain such a loan would give the person holding such a policy the means by which the destroyed property could be promptly restored. The primary loss would ultimately lie on the person whose property was destroyed, but through the loan plan the loss could be spread out over a long period of time.

In order that the Government will not unduly enter into the banking business, the bill provides that the money shall be borrowed from private lending institutions with the Government acting as guarantor. If the loan, for some unforeseen reason, cannot be had through a private lending agency the Government will then make the loan directly.

Thus, under this plan, a man owning a small factory or business concern which was destroyed by a flood, and left with only good will and know-how, would be provided as a matter of contractual right with the means to promptly put these two remaining assets back into operation. The repayment of the loan could be made over an extended period of time, and the burden could be spread out in the same way as depreciation.

The only risk that the Government would be taking under such a plan would

be its obligation as guarantor to make good on any defaulting loans. It is anticipated that these expenses will be paid from the premiums taken in under the plan.

Under the provisions of the loan plan combinations of the usual insurance plan where reimbursement is made in cash and this novel loan plan where the insured gets a contractual right to borrow money are to be offered. Under the plan, a great variety of policies will be made available in which part of the reimbursement in the event of loss would be made in cash and part in a non-interest-bearing loan.

Thus, an individual or business concern that could only pay a very small premium rate could enter into a contract that would provide reimbursement in the form of a loan. Another party not willing to accept the burden of such a loan, and still unable to pay a substantial premium rate, could, for example, take out a policy which would provide him with 30 percent in cash and 70 percent in a noninterest-bearing loan, and with a slightly higher premium rate.

The Administrator under the bill before the House will thus be able to offer the public a multitude of policies which would be sold at premium rates in accordance with the degree of protection the person taking out the policy felt that he could afford.

The premium rate would largely depend on what percentage of reimbursements would have to be paid in cash. A person who wishes to be completely reimbursed in cash would pay a maximum premium rate.

The exact type of policy to be offered, and premium rates, I feel, are matters to be determined at a later date in accordance with administrative discretion.

It has been generally accepted that Federal flood insurance is essentially experimental. The loan plan embodied in sections 5 and 6 of the bill presently before the House will offer a great variety of policies to meet individual needs. I believe through the addition of this loan plan the possibility of a successful flood insurance program, with a minimum of Federal subsidies, is greatly enhanced.

Mr. Chairman, I ask the support of the Members of the House for the amendment to the "loan plan" that I have just introduced. By passing the amendment, the criteria for determining the premium rates for the loan contracts under the bill should be clarified.

Mr. OLIVER P. BOLTON. Mr. Chairman, would the gentleman yield for a question on the amendment?

Mr. DODD. I yield to the gentleman from Ohio.

Mr. OLIVER P. BOLTON. Do I understand from the gentleman's statement that his amendment would make the provision on page 29 which has to do with the Administrator's right to reduce the rates also apply to the loan guarantee field?

Mr. DODD. If I understand your question correctly, I would say not.

Mr. OLIVER P. BOLTON. I did not think that was what the gentleman

meant. I wish the gentleman would explain it further.

Mr. DODD. I feel I have explained it.

Mr. JOHNSON of California. Mr. Chairman, will the gentleman yield?

Mr. DODD. I yield.

Mr. JOHNSON of California. Will the gentleman specify the paragraph he is seeking to amend?

Mr. DODD. It is on page 26. It strikes out lines 12 to 16, and instead it states:

Each such contract shall contain such terms and conditions, and require from any such person such monetary consideration, as the Administrator may prescribe by regulation.

In other words, it gives him the authority to fix the premium on the loan as it gives him the authority to establish the premium for the insurance.

Mr. OLIVER P. BOLTON. But it does not give him authority to reduce the premium for the loan?

Mr. DODD. That is a different matter.

Mr. BOLAND. Mr. Chairman, will the gentleman yield?

Mr. DODD. I yield to the gentleman from Massachusetts.

Mr. BOLAND. I want to compliment the gentleman on the stand he has taken all through the debate. Last Saturday when this matter came to the Chamber floor it appeared as if we would not have enough people here even to consider the bill. It was through the efforts of the gentleman from Connecticut and his colleagues that we were able to maintain a quorum and keep business going.

Mr. DODD. I am very grateful to the gentleman.

Mr. FOGARTY. Mr. Chairman, will the gentleman yield?

Mr. DODD. I yield to the gentleman from Rhode Island.

Mr. FOGARTY. Mr. Chairman, I want to take this opportunity of commending the gentleman from Connecticut [Mr. DODD] for all the work that he has done on this bill.

I also wish to commend him for the loan provisions in sections 5 and 6 of the bill which were made part of this legislation at Mr. DODD's request.

In my estimation, the Dodd loan plan is one of the best features of this bill. I predict that the adoption of this bill with this provision in it will prove a monumental contribution in the field of government insurance.

I was keenly aware of the gentleman from Connecticut's interest in the plight of the people of his State.

Almost a year ago when Mr. DODD was working on drafting a bill on flood insurance, I know that he had the interest of the flood sufferers of his State in mind, and yet he also had the interest of the American taxpayers in mind.

Mr. Chairman, I feel that the Dodd loan plan provides for both flood sufferers and the American people.

I feel that Mr. DODD's plan will give insurance protection at a premium rate that potential flood sufferers can afford to pay, and for this, I feel the people in Connecticut and the people of my own State of Rhode Island who suffered so terribly in last year's floods will be grateful. The Dodd loan plan in my opinion will accomplish this without large Fed-

eral subsidies, and for this I feel the American people will be grateful.

Mr. DODD. I am most grateful for the very kind and generous remarks of my colleague [Mr. FOGARTY].

Mr. PHILBIN. Mr. Chairman, will the gentleman yield?

Mr. DODD. I yield to the gentleman from Massachusetts.

Mr. PHILBIN. I also want to take this opportunity to commend the gentleman from Connecticut on his outstanding contribution to the consideration of this bill and also the many valuable services he has rendered in connection with flood relief and rehabilitation arising out of the terrible flood disasters we suffered in the Northeast last year.

Mr. DODD. I am very grateful to the gentleman.

Mr. WAINWRIGHT. Mr. Chairman, will the gentleman yield?

Mr. DODD. I yield to the gentleman from New York.

Mr. WAINWRIGHT. I have a question on the matter of recurring floods. Would the gentleman like to clarify that?

Mr. DODD. Yes, I would like to talk about it. Recurring floods are not ineligible under the provisions of this bill.

Some question has been raised about this bill with respect to the experience required under the crop insurance program. It occurred to me it might be worthwhile to point out that there is a different situation here.

I think that we will make great progress in the field of flood prevention and it is not unreasonable to suggest we can look forward to a day when the risk in this field may be very negligible and premiums may be very low. You will have this insurance program, and all of the people engaged in it in the States and the Federal Government will be urging flood prevention as people in fire insurance urge and work on fire prevention. We have had some great success in that field.

(Mr. DODD asked and was given permission to proceed for 5 additional minutes.)

Mr. DODD. I have tried in considering this whole problem to get the best advice that I could. I think I said to this House in general debate that in my opinion we are faced with this kind of situation: Nobody knows, nobody can tell us when floods will occur, and believe me, this is not just a New England problem. In nearby Maryland the other night we had six people drown and I do not know how much loss of property. We have similar disasters in the South, in the West, in the Middle East, and in the Southeast. It is difficult to foretell where and when this kind of disaster may occur.

We are faced with one of two alternatives: You can make this a matter of charity, and every time there is a disaster you can say, "All right, we will just hand out more money and do the best we can to put these people back on their feet;" or you can do it the way I think the American people want it done. That is, to give them a chance to pay for what they get and put this on a business basis.

The insurance companies will enter into it, for this bill provides for the participation of private insurance companies, with their tremendous know-how acquired over years of experience in determining the risks and fixing the premiums and making investigations of losses. That is the information I wanted to give the gentleman from California [Mr. PHILLIPS].

I think the gentleman's fear about a widespread bureaucracy is not well founded, because these insurance offices are established and, I think, they are competent to do a good job in this field in cooperation with the Federal Government. I think it is as simple as that. I think if any of you who have ever had a flood, and if you never had one you are fortunate and I hope you never do, but if you have ever had a flood, you will understand better, I believe, what is involved here, and your people will feel badly if you pass by this opportunity to set up some kind of protection. Everyone says that it is experimental. And that is correct. It is experimental. That is true of almost every new field that we enter. The money that is provided, which sounds so great and large in amount, is substantial, but it is really not an appropriation—it is a backstop. As someone said here in the well of the House, the entire experience in the insurance field shows that total losses of this kind never do take place. I think we have a good bill here and I hope it is passed by the House.

Mr. PATTERSON. Mr. Chairman, will the gentleman yield?

Mr. DODD. I yield.

Mr. PATTERSON. Coming from the Naugatuck Valley, I know how much an insurance bill will mean to us. It will give the people an opportunity in that particular area, if these terrible floods should ever happen again, to restore their homes and businesses. I commend the gentleman for all the work he has done on this particular piece of legislation.

Mr. DODD. I thank the gentleman.

Mr. WAINWRIGHT. Mr. Chairman, will the gentleman yield?

Mr. DODD. I yield.

Mr. WAINWRIGHT. As the gentleman from Connecticut knows, I represent a large area of Long Island. In 1938 and 1944 and 1954 and 1955, we along the coast, as you in Connecticut, were hit with hurricanes. Our disaster on Long Island was caused by damage from the hurricane itself far more than the question of flooding as raised by the gentleman from Ohio [Mr. BOLTON]. Now the gentleman from Maine [Mr. HALE] asked the chairman of the committee whether it included the damage that would come from hurricanes when he raised the point as to the word "recurring" because the question is raised as to whether these hurricanes are recurring. The chairman of the committee said, "No." I talked to a member of the staff of the committee and he indicates that the answer is "No." This is a very serious matter to us on Long Island.

Mr. DODD. If I understand the gentleman correctly, the gentleman is ask-

ing me if on Long Island where you have had hurricanes you would be eligible?

Mr. WAINWRIGHT. No, I am raising the question and I would like to have a member of the committee answer.

Mr. DODD. My understanding is that you ask if you had 2 or 3 hurricanes, would you be eligible for this type of insurance. Is that right?

Mr. WAINWRIGHT. Yes.

Mr. DODD. I think you would be eligible for insurance, although the rates would probably be different from those in areas without recurring hurricanes.

Mr. McDONOUGH. Mr. Chairman, will the gentleman yield?

Mr. DODD. I yield.

Mr. McDONOUGH. We are not attempting to duplicate any commercial enterprise insurance here where private industry will insure. A hurricane is different and insurance can be bought from the insurance companies.

Mr. DODD. Yes, hurricane insurance can be bought—that is true.

Mr. WAINWRIGHT. Then to make the question as simple as possible. Does this bill cover hurricane insurance?

Mr. McDONOUGH. It does not.

Mr. WAINWRIGHT. It does not?

Mr. DODD. If you mean by that water damage from a hurricane, I think it does.

Mr. McDONOUGH. Oh, yes.

Mr. DODD. I have answered that question and I think my friend agrees. You would be eligible under this program for insurance against damage suffered by high waves even if it was in the course of a windstorm.

Mrs. ROGERS of Massachusetts. Mr. Chairman, will the gentleman yield?

Mr. DODD. I yield.

Mrs. ROGERS of Massachusetts. I would like to ask the gentleman if flooding from heavy rains through the clapboards of a house would be eligible for insurance. I know rain coming through the windows would not, but I understand that water coming through the clapboards of a house, as a result of an intense rain, would be considered so. Would the gentleman answer that question?

Mr. DODD. This is a technical question which I am not prepared to answer at this time.

Mrs. ROGERS of Massachusetts. I congratulate the gentleman on his fine work with reference to this much needed legislation.

Mr. BOLAND. Mr. Chairman, I want to congratulate the gentleman from Connecticut for the tremendous amount of work and study that he has put into this matter. He has been in the forefront of the battle to push through some kind of a flood insurance bill in this session of the Congress. That ambition is about to be realized this afternoon. There were times when those of us who were genuinely interested in this program were disturbed that this would not come to pass. On late last Saturday when this bill was called up on the floor, it was touch and go as to whether or not a quorum could be mustered to consider it. Mr. Dobb spent much time in contacting Members personally to express

his deep interest and to request that they join in assisting us to get a flood-insurance bill through the House. His efforts have met with success today.

Mr. Chairman, the remarks of the gentleman from Connecticut [Mr. Dobb] on this bill today constitute his last speech in the well of this House from which he has spoken so eloquently on matters affecting the Nation and the world. This is his valedictory. His voice, his words, and his great ability are today mustered in a plea and for a cause that is of overriding importance to his great State of Connecticut. I compliment him for the service he renders today and for the outstanding record he has made as a Member of this House over the past 4 years. And, Mr. Chairman, I add my best wishes as he seeks to elevate himself in the public service of his State.

Mr. MULTER. Mr. Chairman, I rise in support of the amendment.

I would like to emphasize that under this bill we are offering a plan for insurance where no insurance company will write insurance. If it is hurricane insurance in an area where an insurance company says it will only write the insurance for \$50 a hundred, then it is an unreasonable rate. In that case the Administrator may say, "I will sell you insurance at a reasonable rate." In those areas where you can get insurance against hurricane damage but you cannot get insurance on floods caused by hurricanes, the Administrator may come forward and say, "I will sell you that insurance."

Mr. OLIVER P. BOLTON. Mr. Chairman, will the gentleman yield?

Mr. MULTER. I yield.

Mr. OLIVER P. BOLTON. Will the gentleman explain to me whether the wording of the amendment will permit the Administrator to make lower rates for losses than those which are contemplated in the committee.

Mr. MULTER. I do not believe so. If I am wrong, I will yield to the gentleman from Connecticut to answer.

Mr. DODD. I did answer that.

Mr. MULTER. The agency that is to administer this program asked for this amendment.

Mr. WALTER. Mr. Chairman, will the gentleman yield?

Mr. MULTER. I yield.

Mr. WALTER. Will the gentleman tell me wherein the bill under consideration, the Senate bill, differs from the bill I introduced some time ago.

Mr. MULTER. I cannot tell the gentleman that precisely, but I will say to him that the Senate bill, as amended by the Committee on Banking and Currency, in the form in which we are now considering it, is very similar to the bill the gentleman introduced.

Mr. WAINWRIGHT. Mr. Chairman, will the gentleman yield?

Mr. MULTER. I yield.

Mr. WAINWRIGHT. I would like to ask the gentleman from New York whether the meaning of the words "natural disaster," as he has just stated, would cover insurance only from water damage, and not from destruction by the wind.

Mr. MULTER. I will say if you cannot buy wind insurance—and I do not know any place where you cannot buy it—if the time comes when they cannot buy wind insurance at reasonable rates, then the Administrator may come forward and say, "I will write it."

Mr. WAINWRIGHT. Then the language of the bill will apply where insurance cannot be purchased?

Mr. MULTER. Only where it cannot be purchased privately. If the Administrator finds it necessary to offer that kind of insurance because an insurance company will not offer it, the language here is broad enough to permit it.

Mr. BROWN of Georgia. Mr. Chairman, will the gentleman yield?

Mr. MULTER. I yield.

Mr. BROWN of Georgia. We are able to buy insurance against damage by windstorms from private companies, but a flood caused by wind is covered in this bill because you cannot get it from private sources. The damage arising from a flood caused by a windstorm may be insured against under the terms of this bill.

Mr. MULTER. The gentleman is correct.

Mr. WAINWRIGHT. Will the gentleman yield?

Mr. MULTER. I yield.

Mr. WAINWRIGHT. How about the question that the gentleman from Maine [Mr. HALE], raised on the word "recurring"? Do these hurricanes fall into the category of recurring storms?

Mr. MULTER. I did not hear his complete question, because I was called off the floor, but when I left he was reading from the statement of policy. We have in the bill a declaration of policy. After we passed that point in the bill, in committee, we went to work on the details of the bill. The declaration of policy may be broader than the details of the bill, but it is the details of the bill that will govern.

The CHAIRMAN. The time of the gentleman from New York [Mr. MULTER] has expired.

(Mr. FOGARTY asked and was granted permission to extend his remarks at this point in the RECORD.)

Mr. FOGARTY. Mr. Chairman, the proposed legislation for Federal flood insurance is a measure which, in my opinion, is long overdue. We have had repeated dramatic examples of personal tragedies arising from hurricanes and floods over a period of many years. I am deeply concerned because of the major catastrophes wrought by floods and hurricanes in my own State of Rhode Island. I am acutely aware of the need for this type of protection for the people whom I represent. Likewise, I have been impressed by the enlightened support of congressional action on some sound insurance program before awaiting the crippling blow of a situation similar to that created by hurricanes Carol, Diane and the floods of last year as carried on by the Providence Journal-Bulletin. But this is not a regional problem. It is a national one. Flood and hurricane disaster, as we all know, may strike any part of the country, although in recent years, New England has borne the brunt of their destructive

path. There is no immunity from this peril in any region of the United States.

I recall that in 1951, following the disastrous floods of the Midwest, President Truman requested the enactment of legislation providing for the financing of a Federal flood insurance program and repeated this request in 1952. This went unheeded. Again last year, President Eisenhower, moved by the tremendous loss and devastation caused by hurricanes and floods in our northeast region, stated that the Federal Government should examine the feasibility of providing this type of insurance. Personally, I cannot see how we can continue to ignore these wise suggestions. I believe that in the mind of a reasonable person there can be no question as to the need for this type of legislation. It is true that there may be some genuine difference of opinion as to the various features of the measure but I am more interested in the humane principle which lies behind it. It is the little fellow who is particularly at the mercy of flood damage—the small homeowner and the small-business man. I know of instances where homeowners, in limited financial circumstances, have lost their property by water damage and yet are faced with paying off the mortgage which survives as a grim reminder of their personal tragedy. Again, I have had the experience of knowing small-business men whose credit became so impaired by flood loss that they were unable to resume operations again. To extend a helping hand to persons such as these, to create a protective mantle insuring them against repetition of the crippling blow of floodwaters, represents one of the highest achievements which this representative body can accomplish. It is certainly a duty which we owe to the citizens in all communities throughout the country. I am not being critical when I say that many times we can be so concerned over the welfare of the people in other lands and with problems in areas outside our jurisdiction that we unwittingly neglect the welfare of the people of the United States.

As the people in my State know, I am vitally interested in the matter of flood control. But this involves engineering studies, the expenditure of tremendous sums of money and years of construction effort. Plans for adequate Federal flood control can proceed apace but Federal flood insurance ought not to be postponed on the theory that flood control alone may avert a disaster and make such insurance unnecessary. Plain logic dictates that flood insurance should be provided for now, and flood control moved along as rapidly as time and circumstances permit.

Mr. Chairman, I urgently recommend this legislation be enacted in the interests of the country as a whole.

(Mr. BOLAND asked and was granted permission to revise and extend the remarks he made heretofore in Committee.)

The CHAIRMAN. The question is on the amendment offered by the gentleman from Connecticut [Mr. DODD].

The amendment was agreed to.

Mr. FLOOD. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. FLOOD: Page 44, line 13, after the word "moisture", insert "subsidence or settling of soil following mining or other subterranean operations."

Mr. FLOOD. Mr. Chairman, in view of the subject matter of this bill I suppose I could get an extra 5 minutes on a point of personal privilege. But I am sure there is nothing personal in all this discussion of floods, so I will stick to my 5 minutes.

Mr. Chairman, there are a number of us from about a dozen States concerned with the problem outlined in my amendment. In the coal fields of the United States, in about a dozen States in the hard and soft coal areas, flood water damage not only is on surface but most acute and the most serious flood damage to property and even to persons in many instances, the direct result, not a mere incidence, of hurricane floods and other great torrential floods is damage underground. I am not talking about damage by improper mining or damage by negligence.

The reason I come to you today, on the germaneness of this amendment, is because in the State of Pennsylvania at least there is no action that can be laid at law for surface subsidence resulting from this type of disaster. That has been sustained by the Supreme Court of the United States. So in Pennsylvania the people have no legal recourse to obtain damage relief. Secondly, there is absolutely no insurance company in the world—even Lloyd's of London, believe it or not, which is practically a gambling house—will give insurance on this type of disaster.

So, first, the people of the mining regions cannot get this insurance for subsidence resulting from, if you want to call it excess moisture, flood damage.

Let me show you why in 100 miles of Pennsylvania over 100 years of mining has produced certain subterranean conditions over which man with his great engineering and scientific skill no longer has control. Believe me when I say that our greatest enemy in the mine is water. Water is our deadliest enemy and we cannot fight it alone. So when through a hundred years of mining you have subterranean conditions where water becomes the instrument of disaster and when you have these floods that come into our mines, our problem is not on the surface. The water rushes into the mines, our bulkheads and our barrier pillars are destroyed because the hydrostatic pressure of water when raised against our barrier pillars wipe out the surface supports. It is not an act of man but an act of God. The torrential hurricane floods are a great deluge in our mountain valleys. We are in mountain valleys with wild streams rushing down in through mines which break the surface, destroying our surface supports. The surface subsidies and there is no insurance relief, and there is no legal recourse under the law by decision of the Supreme Court of the United States.

We are helpless and hopeless, and I ask you to include this in the right of

insurance, not relief, not a grant, but under the bill as now amended. My State will join and probably should, and to that I do not object now that it is in the bill. That being the case I come here with this amendment and implore your aid.

Mr. SPENCE. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I would like to ask the gentleman from Pennsylvania a question. Your amendment says "subsidence or settling of ground due to underground operations or otherwise." Now, that seems to have no connection with floods.

Mr. FLOOD. What I want to make clear to the gentleman is this. Our underground condition is of such a nature as the result of mining operations or other operations, including slides, for which man is not responsible, for over 100 years, which the gentleman knows, coming from a mining region, exists. And, when the water comes in, those barrier pillars and the supports are destroyed, not as the results of mining but as the result entirely of floods upon an existing physical condition, and then the surface subsides. As the gentleman knows, I have no recourse and can get no insurance, and I am defenseless.

Mr. SPENCE. Your amendment includes "or otherwise."

Mr. FLOOD. You mean, if somebody comes in, some dog robber, and robs a pillar? No; I do not mean that. I mean surface subsidence in the operation of the mine, as the result of or incident to—I like the gentleman's language—excessive moisture, whichever you prefer. The gentleman's phrase "incident to" defines my definition clearly.

Mr. SPENCE. That is not my definition. Your definition has nothing to do with floods; subsidence due to underground operation.

Mr. FLOOD. That is a direct incident of the flood, where the surface gives way because the support has been destroyed, not by the operation of the mine but by the excess pressure on the supports and pillars by floods, by excessive water causing the supports to burst and causing surface subsidence.

The CHAIRMAN. The time of the gentleman from Kentucky has expired.

Mr. FENTON. Mr. Chairman, I rise in support of the amendment.

Mr. FLOOD. Mr. Chairman, will the gentleman yield?

Mr. FENTON. I yield to the gentleman from Pennsylvania.

Mr. FLOOD. I wonder if the gentleman would amend my amendment to include the phrase "incident to flood." Or, if the gentleman does not prefer, I will ask unanimous consent later to revise my amendment and include it.

Mr. FENTON. All right.

Mr. Chairman, in a great many communities in the anthracite coal producing area, and especially in the 12th Congressional District, and adjacent districts in Pennsylvania, there is danger of disaster from floods as used in this particular bill S. 3732.

I say, especially in my district, because I am very familiar with the mining problem and its attendant hazards there. It is safe to say that conditions in the

other anthracite congressional districts are the same as mine and familiar to the Members of Congress representing those areas and they can of course speak for their own particular districts.

In the brief period that we had in discussing the bill during general debate it was confirmed by the chairman of the Banking and Currency Committee [Mr. SPENCE] that "land subsidence due to underground or manmade subterranean excavation" was not a part of this bill.

In view of the fact that hundreds of my constituents have written me of their interest in supporting an amendment to aid them by securing inclusion in this legislation of provisions for their protection, I hope that this amendment will be adopted.

At the present time many large communities, such as Coaldale, Tamaqua, Mahanoy City, Shenandoah, Gilberton, St. Clair, Minersville, and others, are sitting on veritable seas of water—contained for the time being by barriers of coal.

Should any of these barriers or pillars be disturbed by excessive floods, such as occurred last August, I would hesitate to hazard an opinion as to the life and property damage that might ensue.

The communities mentioned heretofore are all located in my home county but there are other communities in Northumberland County such as Mount Carmel, Shamokin, and the surrounding townships to all these large communities that are in the same situation.

As I stated in debate, one of my communities, Tamaqua, had severe damage and one man lost his life in the flood last August.

My district borders on the area in the Pocono Mountains where so many children lost their lives and we certainly trust that provision can be made in this bill to make it as comprehensive as possible.

Mine subsidence in the anthracite coal regions of Pennsylvania could be very disastrous by either floods or just plain cave-ins due to the underlying structures giving way, and if the insurance feature of this bill could be granted to our people it would indeed act to alleviate the continuous threat to life and property always seriously aggravated by floods.

Mr. PATTERSON. Mr. Chairman, will the gentleman yield?

Mr. FENTON. I yield to the gentleman from Connecticut.

Mr. PATTERSON. Knowing the amount of damage that the gentleman had in his district in the last flood I want to commend him for the work he has done in the interest of his district and in the interest of the people of the State of Pennsylvania.

Mr. FENTON. I thank the gentleman very much.

(Mr. FENTON asked and was given permission to revise and extend his remarks.)

(Mr. HYDE asked and was given permission to extend his remarks at this point in the RECORD.)

[Mr. HYDE's remarks will appear hereafter in the Appendix.]

Mr. SPENCE. Mr. Chairman, I ask unanimous consent that all debate on this amendment and all amendments thereto close in 5 minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Kentucky?

There was no objection.

The CHAIRMAN. The Chair recognizes the gentleman from Pennsylvania [Mr. SAYLOR].

Mr. SAYLOR. Mr. Chairman, I have listened with a great deal of interest to the proponents of this legislation, trying to convey to the Members of this House the fears that arise in the minds of the people of their districts because of floods which are imminent in their areas as certain seasons of the year.

The amendment which has been offered by the gentleman from Pennsylvania [Mr. FLOOD] and concerning which the gentleman from Pennsylvania [Mr. FENTON] has just spoken, I think the House should realize does not refer merely to a matter of seasonal floods. This is a matter of daily concern throughout the counties in the coal areas of this country, when entire areas will subside because of the movement of any one of the pillars that have been left underground to prevent the passage of water. When the mines fill up there is absolutely no way for anyone to get down and examine the conditions underground. As the gentlemen from Pennsylvania [Mr. FENTON and Mr. FLOOD] so ably stated, many communities in the anthracite regions in the State of Pennsylvania actually are living on seas of water. If there is any break in any one of those barriers, it is not just a seasonal danger of flood which exists in some of the areas that have been pleaded for today, it is a condition which exists 365 days of every year. If this bill is to benefit the people of America because of flood damage, then I urge each and every one of you to support the amendment offered by the gentleman from Pennsylvania.

Mr. FLOOD. Mr. Chairman, will the gentleman yield?

Mr. SAYLOR. I yield to the gentleman from Pennsylvania.

Mr. FLOOD. A very distinguished former coal miner, the gentleman from Ohio [Mr. KIRWAN], whom I represent in Congress, by the way, tells me that on the ticker just now is a flash that 19 more miners have died this year than last year. As the gentleman knows, many in the soft-coal districts have been drowned when the barrier pillars collapsed after great floods and hurricanes in his and my districts and that of the gentleman from Pennsylvania [Mr. FENTON].

Mr. SAYLOR. That is correct. There is absolutely nothing you can do when you are underground to get away from it. One of the dangers that is current in the mind of every miner who goes underground is that in some operation they are conducting he will cut into an old operation underground which is filled with water, or cut into an underground sea of water and be wiped out without any hope of escape.

Mr. Chairman, I urge that this amendment be adopted.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Pennsylvania [Mr. Flood].

The amendment was rejected.

Mr. SPENCE. Mr. Chairman, I ask unanimous consent that all debate on the bill and all amendments thereto close in 10 minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Kentucky?

There was no objection.

The CHAIRMAN. The Chair recognizes the gentleman from Massachusetts [Mr. Martin].

(Mr. HESELTON asked and was given permission to yield the time allotted to him to Mr. Martin.)

Mr. MARTIN. Mr. Chairman, I rise in support of this legislation.

Last year the country was shocked by appalling flood disasters that visited not only the Southern States but the Middle Atlantic States as well as the New England States.

This great country desired to do something to rehabilitate the people who suffered this great misfortune, and the President of the United States was sympathetic to appeals that came from every part of our country. Out of that sympathy of the President and his desire to help came this legislation.

I would not say that this bill is perfect. I am conscious of the fact that it can be perfected. But I know this is a great problem that demands the attention of this Congress. I advocate that we pass this legislation and send it to the committee of conference, where efforts will be made to try to work out a bill that will meet the great humane needs of the people of this country and will permit the President of the United States to carry out his desire to afford the American people some protection against such disasters. I urge support of this bill so that we can go to conference and write a bill that I believe this Congress will be proud of. True, it may take time and experience in the future to provide legislation which will be near perfection. But, this is a beginning. Let us make a start and pass this bill which the country needs.

The CHAIRMAN. The Chair recognizes the gentleman from Massachusetts [Mr. McCormack].

(Mr. McCormack asked and was given permission to revise and extend his remarks.)

Mr. McCormack. Mr. Chairman, floods are the only major source of property damage, of all natural disasters, for which commercial insurers do not generally offer coverage. The reason for this is not difficult to find.

Following the widespread Mississippi River floods of 1895 and 1896, a company was organized to sell flood insurance in St. Louis, New Orleans, and Cairo, Ill. A considerable amount was sold through the Mississippi River Valley which had been subjected to numerous floods through the years. In 1899 another major flood was experienced in the valley. This was enough to bankrupt the company.

Other companies since then have attempted to sell flood insurance on a small scale. Their experience has shown that only those most exposed to flooding are interested in acquiring policies, or that following a period of a few years free from flood damages they permit the insurance to lapse.

The insurance industry has studied the problem and has been unable to solve, up to the present, the major problems which stand in the way of a sound program of flood insurance. Investigations on behalf of the industry have found that the determination of rates is extremely difficult. It is difficult to define a flood for insurance purposes. The base is too narrow to spread the risk adequately, and a major catastrophe with concentration of total loss represents a threat to the solvency of the insurer. Thus, the industry has largely avoided a field where perhaps the greatest need is manifest.

Floods are no respecter of persons; the poorest as well as the richest may suffer equally. They have been occurring since before the era of written history. The earth's formation and transformation were greatly influenced by floods. Floods are mentioned in the Bible. Man has been pitting his puny strength against the most destructive of nature's forces for many centuries to little avail.

No one can tell where or when the deluge next will strike.

They often come in the still of the night, snuffing out the lives of our family, neighbors, or friends. They destroy our homes, our businesses, churches, and schools. They bring fear and panic, the dread of the unknown and unexpected.

Long experience with floods has enabled the American Red Cross to develop a plan of action upon notice being had that such a disaster is being experienced somewhere in this broad land.

Even before the flow stills and the filth and debris settle, such activities as are available under Public Law 875 and the American Red Cross are rushed into action. Food, shelter, clothing, and medicines tend to the immediate needs of the unfortunate sufferers. Federal, State, and local government agencies all do valiant work. They help tide over the early period of shock that people experience following any disaster. But this help, fine as it is, is only temporary.

As the crushed and prostrate countryside gropingly begins to come to life, it comes to the full import of its situation. I hope that each one of you here in this Chamber will be spared that experience. It is a truly awesome feeling. That horrible realization that your home is destroyed, perhaps that some loved one has lost his life is stamped indelibly upon the mind of all who have experienced it. Perhaps as bad as the sensation, upon looking further afield, of realizing that the shop, the factory or the store where you earned your living is gone. With that first full comprehension comes a tragic sense of futility.

That is a senseless trick of fate which is repeated over and over, year after year. The broken homes, the burdensome mortgages on homes that no longer exist,

the bills for stocks of little stores and inventories still unpaid for but which have disappeared in the angry, broiling waters weigh upon the sufferers. The urge to go on, to resume an active life, to participate once again in community affairs, to become producers once again suffers a cruel blow when brought face to face with the facts of life after a flood disaster.

Loans are difficult, if not impossible, to secure. Many communities never fully recover the full vigor of their accustomed way of life. This is not only a tragic thing to see or experience, it is something which we owe to our fellow Americans to combat with all of our ability.

The battle must be fought on all fronts. Flood control programs take time to carry out; they are costly. Nature has a habit of making even man's most complicated and magnificent works puny by comparison. Dams can be washed out by the fury of torrential rains and tempestuous hurricane downpours. We have seen many gallant, sometimes successful but oftentimes futile, battles with flood waters to save levees and the property they protect. It will be a long and costly struggle before the Nation's rivers can be controlled and rendered harmless. Meanwhile experience tells us we will continue to have floods.

We have before us now an opportunity to strike a firm blow at this killing and evil destroyer. H. R. 3732 is brought before this body after concentrated study. The testimony of the best informed authorities of the Nation, public hearings of many interested and responsible agencies and individuals have all gone into the preparation of this bill. I believe it represents the best possible solution at this point of how to help the flood sufferers of the future. As surely as the sun will arise again there will be more floods. We can and must do something to lessen the blows to our people, or at least to mitigate their effects.

This is frankly an experimental program, for a period of 3 years. The bill reported by the Banking and Currency Committee is aimed at helping those most in need of help—to help those whose resources may be totally destroyed in the event of a flood of disastrous proportions. That is, for as nominal a fee as it is possible to determine in advance, on the basis of all available information, the home owner and the small businessman will be indemnified for his losses under the direct insurance portion. Or he may be assured of a line of credit to restore his property and an extended period of time in which to absorb the shock of his initial loss under the loan contract provision of the bill.

The Government is not seeking to replace private industry in setting up such a program for flood insurance and loan contracts. On the contrary, by means of this bill it is endeavoring to demonstrate that private industry can enter a field of activity from which it has been absent too long. By initiating a balanced program of insurance, reinsurance and guaranteed loans, the Administrator of this act is directed to utilize the services and facilities of the industry in selling

the insurance and making adjustments. This is deliberate in the hope that the industry will participate actively, and perhaps, in time take over.

Existing governmental agencies are utilized in the proposed program. The Housing and Home Finance Administrator would be the responsible head of the entire program. This is done in the interest of centralizing authority and responsibility in a single point of contact with Congress and the Executive.

To insure availability of flood insurance to those who might otherwise not be able to afford it, the Administrator is authorized to reduce fees by as much as 40 percent. Even further reduction is possible if the Administrator believes that any classification of owner-occupied dwelling unit could not afford to pay the fees chargeable for such insurance. This constitutes a subsidy, in effect. But against the cost of this subsidy may be balanced the gain of full economic activity of many who might otherwise lose heart and drop out or operate at less than their full capabilities.

There are, I believe, ample limitations contained in the provisions of the bill to prevent the disruption of orderly procedure and to emphasize its value to the home owner and small businesses. Small, nuisance claims are prevented, and a maximum limit is placed upon the face amount of insurance policies and loan contracts. The subsidy element is eliminated in reinsurance activities under this act.

I believe that this bill represents a sound, well-considered approach to the solution of a very difficult problem; that is, the protection of the economic well-being of potential flood sufferers. It will help those most who are most in need of help. The history of floods—the terrible experiences in recent months of our people in various sections of our country warrants and justifies the passage of this bill.

The CHAIRMAN. The Chair recognizes the gentleman from Ohio [Mr. OLIVER P. BOLTON].

Mr. OLIVER P. BOLTON. Mr. Chairman, apparently it might be fortunate that I am not coming back next year, speaking to you now as I am after the two gentlemen who just preceded me. But, I wish to point out to you the definition of the word "flood" on page 44. I ask you to consider whether this means the flood in your neighbor's basement when your field next to it fills up due to a heavy rain. I ask you to consider the position which our Government will be in under so-called insurance, actually flood damage policies which will be written all over this country without limit except to \$10,000 covering the damages which will result from the interpretations under the word "flood." We are all, everyone of us, concerned with how we can face these great national problems. But, I say to you in all sincerity, that we are shouldering our country with a tremendous debt in this instance.

The CHAIRMAN. The Chair recognizes the gentleman from California [Mr. HEISTAND].

(Mr. HEISTAND asked and was granted permission to extend his remarks at this point in the RECORD.)

Mr. HEISTAND. Mr. Chairman, I believe it is only logical that we should strike out the word "insurance" wherever it appears in this bill and substitute the word "subsidy."

I make this suggestion with all due deference to the distinguished gentlemen immediately preceding me.

First. Despite the fact that the program embodied in this bill involves subsidy, the word "subsidy" is not found in the bill. Instead the word "insurance" is used throughout. I shall urge the House to delete the word "insurance," and substitute the word "subsidy" or some similar word.

Insurance and subsidy are diametrically opposed in principle. Insurance involves voluntary sharing of loss caused by a peril common to those insured. Subsidy involves an involuntary tax burden carried by all even though—in the case of flood—only some are exposed to the peril. An insurance program is self-sustaining. A subsidy program is not. The flood damage programs proposed are not self-sustaining—they are not to be borne solely by those subject to the peril of flood. They are to borne in part by all—involuntarily—through taxation. These flood programs are thus the antithesis of insurance. They are subsidy programs and conceded so to be by the sponsor of the Senate bill—CONGRESSIONAL RECORD, May 10, 1956, page 7107. No reason is given in either House for calling these programs insurance when they are not.

The second development is the fact that in the field of atomic energy, the other body, in contemplating a program to indemnify against loss resulting from atomic reactor incidents in no place uses the word "insurance." It uses instead the words "indemnify" and "indemnification." While these words may not be an exact description of the program, they are closer to the mark than is the word "insurance." It suggest if the House avoids the use of the word "insurance" when describing a program of partial subsidy in connection with atomic energy, the same course should be followed when dealing with subsidy in connection with flood. Therefore, I urge that where the word "insurance" appears in any legislation being considered in connection with flood, that the word be deleted and that there be inserted in its place a word such as "subsidy" or "relief" or "indemnity."

Second. This point deals with the provisions of the legislation with reference to reinsurance. I suggest that all reference to reinsurance be deleted. If the basic program is not insurance the supporting program cannot be "reinsurance." If there is a subsidy involved in furnishing the so-called "insurance" then a subsidy must be involved in furnishing so-called "reinsurance." "Subsidy" has no more place in reinsurance, than it has in insurance. The bill clearly provides such subsidy. It uses the words "fees for reinsurance"—section 5 (b)—"just as it uses the word "fees" for the so-called direct insurance—section 5 (a). By definition the fee for direct coverage is something different from, and less than, the "actual estimated rates."

There is another reason for deleting the "reinsurance" provision. This legislation proposes to set up a test program seeking to determine the feasibility, or lack of feasibility, of flood indemnification. If the test is to mean anything it must be a controlled test. The reinsurance program removes control, since it would permit a private insurer to make a favorable selection of the risks and unload through reinsurance the unfavorable selection on the experimental program. The resulting experience picture of the Government program would be distorted by the adverse selection. In addition, the amount of so-called reinsurance available under the proposed program is unrealistic and would aggravate the competing situation.

The CHAIRMAN. The Chair recognizes the gentleman from Florida [Mr. BENNETT].

Mr. BENNETT of Florida. Mr. Chairman, I should like to ask the distinguished gentleman from Kentucky whether the term "wave wash" in the definition of "flood," at line 10, page 44, of the bill is sufficient to give the protection to landowners along our Florida beaches which I feel confident the Committee intended to give. In a letter which I received from Dr. M. E. Forsman, assistant director of the University of Florida Engineering and Industrial Experiment Station, he advised:

The standard definition—terminology—for the term "wave wash" is "the erosive action on shores or embankments caused by the lapping or breaking of waves." (See Waves, Tides, Currents, and Beaches, Glossary of Terms and List of Standard Symbols issued by the Council on Wave Research, the Engineering Foundation, Berkeley, Calif.) The term "wave action" includes not only the action of wave wash but also such effects as the impact of waves on structures and natural formations. Generally, when such a structure as a pier or a jetty is damaged during a storm in Florida, it is the result of wave action as a whole, rather than that of wave wash by itself. Damage to beaches, dunes, dikes, and roads, however, is primarily the result of wave wash.

From the general purpose of the committee to give maximum protection to those who suffer property losses under circumstances covered by the bill, it is my understanding that the committee did not intend that "flood" should be restrictively interpreted. It is my understanding that, in defining that term by the words "wave wash," the committee intended to define "flood" to include "wave action" and "wave impact." Is that correct?

Mr. SPENCE. That is correct.

The CHAIRMAN. The Chair recognizes the gentleman from New Jersey [Mr. CANFIELD].

Mr. CANFIELD. Mr. Chairman, President Eisenhower strongly recommends this type of legislation. In principle the bill also has the endorsement of former President Truman. I believe a good case for the bill has been made before the Committee on Banking and Currency sitting here in Washington and throughout the flooded areas of the country. I cannot conceive of the House rejecting this bill today in the closing hours of this session. I am sure that the humanitar-

ian appeal made by our leaders has been heard.

Mr. Chairman, it has grieved us all many times in the past to witness the horrible aftereffects of flood disasters. Few of us in our lifetimes have failed to experience at first hand some of those effects. They are so total. They are so complete. They leave their victims absolutely helpless. Every year some portion of our great nation is struck, often in the still of the night, with much of the devastating suddenness and destructive force of an atomic bomb.

The lives that are lost from these catastrophes, thank Heaven, have tended to decrease during recent years. This is due in part to the efforts of our engineers in constructing great flood control works, and in part to the ever-increasing efficiency of our weather and flood warning services. But Mother Nature has a way of striking where there are no levees and dams, and all of the other impedimenta of the modern flood control engineer. She can even bring the rains and the hurricanes that will leave such downpours as will cause the floodwaters to cascade over these obstacles and continue to wreak havoc. So much so that in 1955 flood damages attained a new peak, earning the ill-omened title of the first "billion dollar year."

Behind that cogent phrase "billion-dollar year" lies a many-times-repeated tale of misery and woe. It has left behind many crushed homes, lost sources of livelihood, ruined communities, and irrevocably damaged farmlands. As the ugly brown waters recede they leave behind them many thousands of tons of mud and sand and wreckage. There are left behind crushed and silt-filled homes, factories, and stores. Many serious fire and health hazards remain. Survivors are faced with a well-nigh-unsolvable problem. How can they clean up the mess, how can they rebuild their homes, their business? How, in fact, can they go on living at all, now that their resources are destroyed?

After the first burst of generosity from their fellow Americans, from the American Red Cross, from the many official agencies which supply food, shelter, medicines, clothing, and other immediate needs, comes the final full realization of the true situation. The efforts of all these agencies are good, they are well meant, and are vastly appreciated. However, the flood victim faces a blank future. How is he to resume the everyday task of living, with his resources destroyed, even hope seems to have fled. He needs some sustaining force. This situation has been repeated monotonously, year after year, and until now there has seemed to be no answer.

For years there have been pious utterances in public places following the visitation of these flood disasters. How many times have we heard repeated: "Something ought to be done about it," "there ought to be a law." All right, something should be done about it; there ought to be a law. Here, right now, before this body, is an opportunity to do something about it.

It is frankly experimental. Private insurance companies have been unable to provide for this type of insurance be-

cause they have not been able to build up the necessary reserves; they have been unable to spread the risk. Losses are usually total within an area and no private enterprise has been able to sustain itself after 1 or 2 major catastrophes of this type. This has been the experience of the past. For many years now no private insurance companies have made any real effort to be active in this area.

The bill now before you will provide future victims of floods, some hope. It will enable them to rise from the wreckage of their homes and businesses and face the future with some confidence that they will be able to resume their place in the community. The community may again become a vital cog in the Nation's economy.

Once the soundness of such a program as this bill provides is demonstrated, as I have every assurance it will be, private enterprise should be able to take over, and the frightening aspects of floods may be alleviated somewhat.

This bill does not place the Federal Government into business in competition with its citizens. No one is now selling flood insurance. So, it is now up to us to "do something about it."

(Mr. CANFIELD asked and was given permission to revise and extend his remarks.)

The CHAIRMAN. The Chair recognizes the gentleman from New York [Mr. MULTER].

Mr. MULTER. Mr. Chairman, I ask unanimous consent that all Members may have permission to revise and extend their remarks on this bill.

The CHAIRMAN. Is there objection? There was no objection.

Mr. MULTER. I yield back the remainder of my time, Mr. Chairman.

Mr. SCHENCK. Mr. Chairman, in 1913 the Miami Valley in Ohio suffered a very severe flood. The cities of Dayton, Hamilton, and Middletown, all located in the Miami Valley, and located within the congressional district I have the honor to represent, suffered great financial and property losses. Many lives were also lost.

Floodwaters reached a depth of from 12 feet to 16 feet in the downtown and industrial areas of many cities. The conditions of wrecked and partly wrecked buildings of all kinds including residential properties was almost beyond description. Family treasuries and family fortunes were completely wiped out in a few hours.

The people of this area, in true American fashion and tradition, began to dig themselves out of the muck and ruin of their property. Everyone helped. The National Red Cross and other relief organizations did a marvelous job and it would be impossible to recount all the wonderful work done and the contributions made.

The people also, Mr. Chairman, immediately began to seek ways to prevent a future reoccurrence of such a disaster.

Time will not permit a complete account here of all that was done. Sufficient to say here that the people of this flooded area by their contributions and their willingness to pay taxes, a flood-control system was designed and built.

This was done entirely by the people of this area. No help was ever requested or received from the Federal Government. This was done in the true American way and spirit.

It is wrong, Mr. Chairman, for the Federal Government to supply flood insurance and is contrary to our tradition. I am opposed to this bill and hope it will be defeated.

Mr. DONOHUE. Mr. Chairman, I earnestly hope that the House will overwhelmingly pass this bill now before us, S. 3732, to permit Federal participation in providing insurance against damage by flood. I also hope that within the near future the Congress may enact what we could describe as a general disaster bill which will enable all our American citizens to adequately insure themselves against catastrophic personal and property loss from the ever-recurring ravages of the elements uncontrolled.

I have, of course, a particular personal interest in this current measure because of the terrible and incalculable damage that was visited upon the people of my district area and my State in the unfortunate and unhappy floods that descended upon us suddenly, less than a year ago.

In that tragedy of nature more than a hundred lives were lost and millions of dollars of property damage to businesses and individuals was incurred. Today our people still live in fear and doubt as to when we may be victim again of these wild flood ravages. Neither the individual nor the community nor the State alone or together can adequately provide protection from the enormous destruction that follows in the wake of these natural disasters. They earnestly, and in my opinion rightfully, look to the Federal Government and the Congress for assistance and this important measure is a step to grant them a modicum of vitally needed help.

To allay any fears of some of the sincere questioners of the merit of this bill, let us make it clear that the measure does not contemplate the invasion of private enterprise. The hearings and testimony reveal that every effort has been made to get the insurance companies to enter this field of liability but they cannot in reasonable financial wisdom embrace it. The only way that the matter can be accomplished is by temporary participation of the Federal Government. It is certainly obvious that if the private insurance companies could write this kind of insurance on a profit basis they naturally would do it. Last year, following the great flood destruction in our area there was a large market for flood insurance but private insurance companies were unable to offer the necessary protection due to the enormous risk factor.

In any case, it is quite relevant, I think, to remember that the people of the United States pay for the restoration from the damage any way. As we all realize the various agencies of the Federal Government, by Presidential direction, move into any natural disaster emergency and spend millions of dollars in repairing public buildings, vital bridges, and other factors that have to

do with preserving the health and safety of the people. Situations of this kind can certainly be better handled economically if we can work out an insurance program.

It is generally agreed, of course, that this legislation is not letter perfect. It is not claimed to be. This is an experimental program. It will require perhaps long experiment and patient study to work out a final solution. The problem is basically to enact a legislative program through which the Federal Government can offer some degree of economic protection against natural disaster losses to all of our people, and do so without expending unreasonably great amounts of the Federal money.

This legislation then is the first attempt to solve this problem in the American way and tradition. It will, no doubt, require continuous revision and perhaps correction. Nevertheless, it is fundamentally a good bill and good for all Americans, and I earnestly hope that it will be approved here this afternoon.

Mr. HALE. Mr. Chairman, I offer an amendment, which is at the desk.

The CHAIRMAN. Under the limitation of time, the gentleman can offer his amendment, but there will be no more debate.

Does the gentleman desire to offer his amendment?

Mr. HALE. I do, Mr. Chairman.

The Clerk read as follows:

Amendment offered by Mr. HALE: On page 22, line 14, strike out, in two instances, the word "recurring."

The CHAIRMAN. The question is on the amendment offered by the gentleman from Maine.

The amendment was rejected.

The CHAIRMAN. The question is on the committee substitute.

The committee substitute was agreed to.

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. WILLIS, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (S. 3732), to provide insurance against flood damage, and for other purposes, pursuant to House Resolution 617, he reported the same back to the House, with an amendment adopted in Committee of the Whole.

The SPEAKER. Under the rule, the previous question is ordered.

The question is on agreeing to the amendment.

The amendment was agreed to.

The SPEAKER. The question is on the third reading of the bill.

The bill was ordered to be read a third time, and was read the third time.

The SPEAKER. The question is on the passage of the bill.

Mr. WOLCOTT. Mr. Speaker, I offer a motion to recommit.

The SPEAKER. Is the gentleman opposed to the bill?

Mr. WOLCOTT. I am.

The SPEAKER. The gentleman qualifies. The Clerk will report the motion.

The Clerk read as follows:

Mr. WOLCOTT moves to recommit the bill S. 3732 to the Committee on Banking and currency.

The SPEAKER. The question is on the motion to recommit.

The motion to recommit was rejected.

The SPEAKER. The question is on the passage of the bill.

The bill was passed.

A motion to reconsider was laid on the table.

GENERAL LEAVE TO EXTEND

Mr. SPENCE. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to extend or to revise and extend their remarks on the bill just passed.

The SPEAKER. Is there objection to the request of the gentleman from Kentucky?

There was no objection.

COMMITTEE TO ATTEND UNVEILING OF JOHN BARRY MEMORIAL AT WEXFORD, IRELAND

The SPEAKER. Pursuant to the provisions of House Concurrent Resolution 244, 84th Congress, the Chair appoints as members of the Joint Committee to represent the Congress at the unveiling of the Commodore John Barry Memorial at Wexford, Ireland, on September 16, 1956, the following Members on the part of the House: Messrs. ROONEY, of New York; Mr. MADDEN, of Indiana; Mr. O'NEILL, of Massachusetts; Mr. DEVEREUX, of Maryland; Mr. SHEEHAN, of Illinois; and Mr. KEARNEY, of New York.

COMMITTEE TO INVESTIGATE CAMPAIGN EXPENDITURES

The SPEAKER. Pursuant to the provisions of House Resolution 483, 84th Congress, the Chair appoints as members of the Special Committee To Investigate Campaign Expenditures the following Members of the House: Mr. DAVIS of Tennessee, Mr. JONES of Alabama, Mr. BOLLING of Missouri, Mr. KEATING of New York, and Mr. HILLINGS of California.

COMMITTEE ON THE HOUSE RECORDING STUDIO

The SPEAKER. Pursuant to the provisions of section 105, Public Law 624, 84th Congress, the Chair appoints as members of the Committee on the House Recording Studio the following Members of the House: Mr. GARY, of Virginia; Mr. EVINS, of Tennessee; and Mr. Bow, of Ohio.

RETURN OF BILL H. R. 9591 TO SENATE

The SPEAKER. The Chair lays before the House the following request.

The Clerk read as follows:

JULY 24 (LEGISLATIVE DAY JULY 16), 1956.

Ordered, That the Secretary request the House of Representatives to return to the Senate the bill (H. R. 9591) entitled "An act to amend the act of August 31, 1954 (64 Stat.

1037), relating to the acquisition of non-Federal land within the existing boundaries of any national park, and for other purposes."

Attest:

FELTON M. JOHNSON,
Secretary.

The SPEAKER. Without objection, the request will be granted.
There was no objection.

BREACH OF CONTRACT DAMAGES

Mr. COOPER. Mr. Speaker, by direction of the Committee on Ways and Means, I ask unanimous consent for the immediate consideration of the bill (H. R. 9969) to amend the Internal Revenue Code of 1954 with respect to the readjustment of tax in the case of certain amounts received for breach of contract, which was reported unanimously favorably by the committee.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Tennessee?

There was no objection.

The Clerk read the bill, as follows:

Be it enacted, etc., That part I of subchapter Q of chapter 1 of the Internal Revenue Code of 1954 (relating to income attributable to several taxable years) is amended by redesignating section 1305 as section 1306 and by inserting after section 1304 the following new section:

Sec. 1305. Breach of Contract Damages.

(a) General Rule: If an amount representing damages is received or accrued by a taxpayer during a taxable year as a result of an award in a civil action for breach of contract or breach of a fiduciary duty or relationship, then the tax attributable to the inclusion of such amount in gross income for the taxable year shall not be greater than the aggregate of the increases in taxes which would have resulted if such amount had been included in gross income for the taxable year or years during which such amount would have been received or accrued by the taxpayer but for the breach of contract, or breach of a fiduciary duty or relationship.

(b) Credits and Deductions Allowed in Computation of Tax: The taxpayer in computing said tax shall be entitled to deduct all credits and deductions for depletion, depreciation and other items to which he would have been entitled, had such income been received or accrued by the taxpayer in the year during which he would have received it, except for such breach of contract or for such breach of a fiduciary duty or relationship.

(c) Limitation: Subsection (a) shall not apply unless the amount representing damages is \$3,000 or more.

SEC. 2. The table of sections for such part I is amended by striking out

"Sec. 1305. Rules applicable to this part." and by inserting in lieu thereof

"Sec. 1305. Breach of contract damages.

"Sec. 1306. Rules applicable to this part."

SEC. 3. The amendments made by this act shall apply to taxable years ending after December 31, 1954, but only as to amounts received or accrued after such date as the result of awards made after such date.

With the following committee amendment:

On page 1, strike out line 8 and all that follows down through line 19 on page 2 and insert:

"SEC. 1305. Breach of contract damages.

"(a) General rule: If an amount representing damages is received or accrued by a

taxpayer during a taxable year as a result of an award in a civil action for breach of contract or breach of a fiduciary duty or relationship, then the tax attributable to the inclusion in gross income for the taxable year of that part of such amount which would have been received or accrued by the taxpayer in a prior taxable year or years but for the breach of contract, or breach of a fiduciary duty or relationship, shall not be greater than the aggregate of the increases in taxes which would have resulted had such part been included in gross income for such prior taxable year or years.

"(b) Credits and deductions allowed in computation of tax: The taxpayer in computing said tax shall be entitled to deduct all credits and deductions for depletion, depreciation, and other items to which he would have been entitled, had such income been received or accrued by the taxpayer in the year during which he would have received it, except for such breach of contract or for such breach of a fiduciary duty or relationship. The credits, deductions, or other items referred to in the prior sentence, attributable to property, shall be allowed only with respect to that part of the award which represents the taxpayer's share of income from the actual operation of such property.

"(c) Limitation: Subsection (a) shall not apply unless the amount representing damages is \$3,000 or more."

The committee amendment was agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

(Mr. COOPER asked and was given permission to extend his remarks at this point in the RECORD.)

Mr. COOPER. Mr. Speaker, existing law provides for the averaging of certain types of income over the period in which such receipts were actually earned or accrued. Examples of this averaging technique are the treatment of back pay and patent infringement. However, at the present time averaging is not permitted in the case of receipts resulting from a judicial award in a civil action for breach of contract or breach of fiduciary duty or relationship.

In such cases the taxpayer is required to include the total award in gross income for the year in which it is received or accrued. This results, in the usual case, in a substantially higher tax than would be imposed if the taxpayer had received the income represented by the award in each of the taxable years to which the award relates.

In addition, the character of the income has sometimes been held to be changed by the fact of its lump-sum receipt as an award from the breach of a contractor duty. For example, it has been indicated that an award resulting from the breach of a contract involving a failure to pay over oil royalties does not give rise to a percentage depletion deduction to the injured party.

H. R. 9969 permits the taxpayer who receives an award in a civil action for breach of contract or a breach of fiduciary duty or relationship to obtain the advantage of spreading the award over the years to which it is attributable and makes it clear that the taxpayer may take such deductions as he would have

been entitled to in the absence of the breach.

This bill was unanimously reported by the Committee on Ways and Means.

(Mr. REED of New York asked and was given permission to extend his remarks at this point in the RECORD.)

Mr. REED of New York. Mr. Speaker, H. R. 9969 provides that a taxpayer who receives or accrues an award in a civil action for breach of contract, or breach of fiduciary duty or relationship, may spread the amount of the award over the period during which it would have been received, except for the breach of contract or duty, if this results in a lesser tax than would result from including the entire award in gross income of the current year. Provision is also made for the allowance of appropriate credits or deductions.

The bill was reported unanimously by the Committee on Ways and Means.

PRINTING ADDITIONAL COPIES OF RESUME

Mr. HAYS of Ohio. Mr. Speaker, by direction of the Committee on House Administration I present a privileged resolution (H. Res. 623) and ask for its immediate consideration.

The Clerk read as follows:

Resolved, That there be printed for the use of the Committee on Veterans' Affairs 50,000 additional copies of the résumé of bills reported by that committee during the 84th Congress.

The resolution was agreed to.

A motion to reconsider was laid on the table.

PERMISSION TO HONORABLE BARRATT O'HARA TO ACCEPT AN AWARD

Mr. HAYS of Ohio. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (H. R. 12396) to authorize the Honorable BARRATT O'HARA to accept and wear the award of the Medal for Distinguished Military Service in white tendered by the President of the Republic of Cuba, Maj. Gen. Fulgencio Batista y Zaldivar.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Ohio?

There was no objection.

The Clerk read the bill, as follows:

Be it enacted, etc., That the Honorable BARRATT O'HARA, Representative from the State of Illinois, is authorized to accept from the Republic of Cuba the award of the Medal for Distinguished Military Service in white, together with any decorations and documents evidencing such award. The Department of State is authorized to deliver to the Honorable BARRATT O'HARA any such decorations and documents evidencing such award.

SEC. 2. Notwithstanding section 2 of the act of January 31, 1881 (ch. 32, 21 Stat. 604; 5 U. S. C. 114), or other provision of law to the contrary, the named recipient may wear and display the aforementioned decoration after acceptance thereof.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

COMMITTEE ON INTERIOR AND INSULAR AFFAIRS

Mr. FRIEDEL. Mr. Speaker, by direction of the Committee on House Administration I submit a privileged resolution (H. Res. 629) and ask for its immediate consideration.

The Clerk read as follows:

Resolved, That the further expenses of conducting the investigations authorized by House Resolution 30 of the 84th Congress, incurred by the Committee on Interior and Insular Affairs, acting as a whole or by subcommittee, not to exceed \$10,000, in addition to the unexpended balance of any sums heretofore made available for conducting such studies and investigations, including expenditures for the employment of stenographic and other assistants, shall be paid out of the contingent fund of the House on vouchers authorized by such committee, signed by the chairman of such committee, and approved by the Committee on House Administration.

Mr. LECOMPTE. Mr. Speaker, will the gentleman yield?

Mr. FRIEDEL. I yield to the gentleman from Iowa.

Mr. LECOMPTE. This resolution provides \$10,000 to complete some studies that have been made but which are not yet completed, and for printing a report, is that correct?

Mr. FRIEDEL. That is correct.

Mr. LECOMPTE. This has the approval of the committee?

Mr. FRIEDEL. The gentleman is correct.

The SPEAKER. The question is on the resolution.

The resolution was agreed to.

A motion to reconsider was laid on the table.

AUTHORIZING CONSTRUCTION OF ONE PROTOTYPE SHIP, AND THE CONVERSION OF ONE LIBERTY SHIP, BY THE MARITIME ADMINISTRATION, DEPARTMENT OF COMMERCE

Mr. BONNER. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (S. 3821) to authorize the construction of one prototype ship, and the conversion of one Liberty ship, by the Maritime Administration, Department of Commerce.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina?

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That there is hereby authorized to be appropriated to the Department of Commerce, Maritime Administration, such sums as may be necessary, to remain available until expended, to construct, outfit, and test one prototype merchant ship of the "Clipper" class, as designed by the Maritime Administration, Department of Commerce, and to convert, outfit, and test one reserve fleet Liberty ship. Such construction and conversion outfitting, and testing shall be subject to the provisions of the Merchant Marine Act, 1936, as amended.

The bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(For Department Staff Only)

Issued July 27, 1956
For actions of July 26, 1956
84th-2nd, No. 129

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HIGHLIGHTS: Both houses adopted conference report on executive pay and retirement bill. House agreed to conference report on mutual security appropriation bill. House passed bill to provide for travel and transportation cost allowance for new appointees. House passed bill to authorize FCIC reinsurance in Puerto Rico. House agreed to conference report on second supplemental appropriation bill. House agreed to conference report on bill amending Social Security Act. House passed bill authorizing USDA to pay expenses of soil and water conservation advisory committee. House passed cranberries for canning and freezing marketing bill. House agreed to Senate amendments to military construction bill. House agreed to conference report on fisheries bill. Senate committee reported point-of-order bill. Senate passed, and cleared for President, Great Plains bill. Senate rejected conference report on second supplemental appropriation bill. Senate passed area redevelopment bill. Senate disagreed to House amendment to flood insurance bill. Senate passed grain-storage amortization bill. Senate agreed to resolution favoring water resource development.

SENATE

1. POINT-OF-ORDER BILL. The Agriculture and Forestry Committee reported this bill (H. R. 11682) without amendment (S. Rept. 2811). p. 13358
2. GRAIN STORAGE; TAXATION. Passed with amendments H. R. 9083, to amend the Internal Revenue Code of 1954 to extend the period for amortization of grain-storage facilities. Conferees were appointed. pp. 13393, 13395

July 26, 1956

3. APPROPRIATIONS. At the request of Sen. Hayden and without debate, rejected the conference report on H. R. 12350, the second supplemental appropriation bill for 1957. Conferees were appointed for a further conference. p. 13450
4. AREA REDEVELOPMENT. Passed, by a vote of 60 to 30, with amendments S. 2663, to establish an effective program to alleviate conditions of excessive unemployment in certain economically depressed areas. pp. 13352, 13363
5. FLOOD INSURANCE. Disagreed to an amendment by the House to S. 3732, to provide for an insurance program against flood damage. Conferees were appointed. p. 13383
6. SOIL CONSERVATION. Passed without amendment H. R. 11833, to amend the Soil Conservation and Domestic Allotment Act and the Agricultural Adjustment Act of 1938, to provide for a Great Plains conservation program. This bill will now be sent to the President. p. 13408
7. LANDS. Passed with amendment S. 3957, to amend the act authorizing the exchange and amendment of certain farm units in order to limit the time during which applications may be made. p. 13416
8. NATURAL RESOURCES. Agreed to, as reported, S. Res. 281, expressing the sense of the Senate regarding executive policy in connection with water resources development, etc. p. 13418
Sen. Goldwater inserted and discussed an article relative to the natural resource policies of the Administration. p. 13326
Sen. Goldwater defended the natural resource policies of the Interior Department. p. 13327
9. FLOOD CONTROL. Passed with amendment H. R. 12080, authorizing the construction, repair, and preservation of certain public works on rivers and harbors for navigation, flood control, and other purposes. Conferees were appointed. pp. 13328, 13340
10. PERISHABLE COMMODITIES. Sen. Magnuson inserted his statement concerning the shipments of certain perishable and other commodities in interstate commerce. p. 13365
11. FARM LABOR. Considered, but took no action on, H. R. 6888, providing for the admission into the U. S. of certain aliens skilled in sheepherding. p. 13351
12. INSECTS. Sen. Holland inserted a telegram from the Governor of Fla., announcing the appropriation of \$5 million by the State to match the Federal appropriation for the Mediterranean fruitfly eradication program. p. 13381
13. SEEDS. Passed with amendment H. R. 9396, to amend the Tariff Act of 1930 to place guar seed on the free list. p. 13390
14. TARIFF SCHEDULES. Passed without amendment H. R. 12254, to provide additional time for the Tariff Commission to review the customs tariff schedules. This bill will now be sent to the President. p. 13392
15. LEASES; CONTRACTS. Concurred in a House amendment to S. 4058, to authorize the Secretary of Agriculture to extend and renew to a railroad company for 10 years a lease of a tract of land in the USDA Range Livestock Experiment Station, in Montana. This bill will now be sent to the President. p. 13402

PRINTING OF ADDITIONAL COPIES OF HEARING ON LABOR-MANAGEMENT PROBLEMS OF THE AMERICAN MERCHANT MARINE

Mr. CLEMENTS. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 2823, House Concurrent Resolution 263.

The PRESIDING OFFICER. The concurrent resolution will be stated by title, for the information of the Senate.

The LEGISLATIVE CLERK. A concurrent resolution (H. Con. Res. 263) authorizing printing of additional copies of the hearing on labor-management problems of the American merchant marine.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Kentucky?

There being no objection, the concurrent resolution was considered and agreed to.

COMMISSION FOR CELEBRATION OF 100TH ANNIVERSARY OF BIRTH OF THEODORE ROOSEVELT—CONFERENCE REPORT

Mr. CLEMENTS. Mr. President, I submit a report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 3386) to amend the joint resolution entitled "Joint resolution to establish a commission for the celebration of the 100th anniversary of the birth of Theodore Roosevelt", approved July 28, 1955. I ask unanimous consent for the present consideration of the report.

The PRESIDING OFFICER. The report will be read for the information of the Senate.

The legislative clerk read the report, as follows:

The committee of conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 3386) to amend the joint resolution entitled "Joint resolution to establish a commission for the celebration of the 100th anniversary of the birth of Theodore Roosevelt," approved July 28, 1955, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its disagreement to the amendment of the House and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the House amendment insert the following: On line 8, strike out "\$461,000" and insert in lieu thereof "\$150,000."

And the House agree to the same.

JOSEPH C. O'MAHONEY,
ARTHUR V. WATKINS,

Managers on the Part of the Senate.

JAMES B. FRAZIER, Jr.,
WILLIAM M. TUCK,
PATRICK J. HILLINGS,

Managers on the Part of the House.

The PRESIDING OFFICER. Is there objection to the present consideration of the report?

There being no objection, the report was considered and agreed to.

INTERSTATE SANITATION COMMISSION—CORRECTION OF ENROLLMENT OF HOUSE JOINT RESOLUTION 511

Mr. CLEMENTS. Mr. President, I ask unanimous consent for the immediate consideration of House Concurrent Resolution 271, to correct the enrollment of House Joint Resolution 511.

The PRESIDING OFFICER. The concurrent resolution will be stated by title for the information of the Senate.

The CHIEF CLERK. A concurrent resolution (H. Con. Res. 271), to correct the enrollment of House Joint Resolution 511, granting the consent of Congress to the States of New York, New Jersey, and Connecticut to confer certain additional powers upon the Interstate Sanitation Commission, established by said States pursuant to Public Resolution 62, 74th Congress, August 27, 1935.

The PRESIDING OFFICER. Is there objection to the present consideration of the concurrent resolution?

There being no objection, the concurrent resolution was considered and agreed to.

INSURANCE AGAINST FLOOD DAMAGE

The PRESIDING OFFICER (Mr. FREAR in the chair) laid before the Senate the amendment of the House of Representatives to the bill (S. 3732) to provide insurance against flood damage, and for other purposes, which was to strike out all after the enacting clause and insert:

That this act may be cited as the "Federal Flood Insurance Act of 1956."

FINDINGS AND DECLARATION OF PURPOSE

SEC. 2. (a) The Congress finds that in the case of recurring natural disasters, including recurring floods, insurance protection against individual and public loss is not always practically available through private or public sources. With specific reference to insurance against flood loss, the Congress finds that insurance against certain losses resulting from this peril is not so available. Since preventive and protective means and structures against the effects of these disasters can never wholly anticipate the geographic incidence and infinite variety of the destructive aspects of these forces, the Congress finds that the safeguards of insurance are a necessary adjunct of preventive and protective means and structures.

Inasmuch as these disasters impede interstate and foreign commerce, hamper national defense, and cause widespread distress and hardship adversely affecting the general welfare, without regard to State boundary lines, and in the absence of insurance protection from private or public sources, the Congress ought to provide for such protection in the case of flood, and study the feasibility and need for similar programs in the case of other forms of natural disaster against which insurance protection is not generally and practically available in all geographical areas.

(b) (1) It is the purpose of this act to authorize the establishment of a program of Federal insurance and reinsurance against the risks of loss resulting from flood as hereinafter defined, and to require a study and report on insurance and reinsurance against still other natural disaster perils to the extent that such insurance or reinsurance is

not available on reasonable terms and conditions from other public or private sources; and

(2) It is the further purpose of this act to encourage private insurance companies to write insurance covering the extent of the risks above the limits prescribed in section 10 (a) and to provide Federal reinsurance to the extent desirable and necessary to carry out this purpose.

(3) It is the further purpose of this act to authorize the establishment of a program of loans, and a program combining insurance and loans, to assist flood victims who have entered into contracts with the Administrator under this act.

ADMINISTRATION

SEC. 3. (a) To assist in carrying out the functions, powers, and duties vested in him by this act, the Administrator may appoint a Commissioner, and the basic rate of compensation of such position shall be the same as the basic rate of compensation established for the Commissioners of the constituents of the Housing and Home Finance Agency.

(b) The provisions of the Government Corporation Control Act, as amended, shall apply to the functions vested in the Administrator by this act, to the same extent as applicable to wholly owned Government corporations.

(c) In the performance of, and with respect to, the functions, powers, and duties vested in him by this act, the Administrator, notwithstanding the provisions of any other law, shall maintain an integral set of accounts which shall be audited annually by the General Accounting Office in accordance with the principles and procedures applicable to commercial transactions as provided by the Government Corporation Control Act, as amended, and no other audit shall be required: *Provided*, That such financial transactions of the Administrator as the issuing of insurance policies, the making of reinsurance agreements, and the making and guaranteeing of loans, and vouchers approved by the Administrator in connection with such financial transactions, shall be final and conclusive upon all officers of the Government.

AUTHORITY TO INSURE AND REINSURE

SEC. 4. To aid in carrying out the purposes of this act, the Administrator is authorized to provide, upon such terms and conditions (including coinsurance requirements) as he may establish, insurance and reinsurance against loss resulting from damage to or destruction of real or personal property (including property owned by any State or local government) due to flood, as hereinafter defined, occurring within the United States: *Provided*, That after June 30, 1959, each State shall pay from time to time into the Disaster Insurance Fund, hereinafter created, an amount equal to one-half of the difference between the fees charged for insurance policies issued after such date on property in such State, and the amount which would have been charged if the estimated rates were applied.

LOAN CONTRACTS

SEC. 5. (a) The Administrator is authorized to enter into contracts with any persons (not including State and local governments and agencies thereof) to the effect that, in the event of any subsequent loss resulting from damage to or destruction of real and personal property due to flood, as hereinafter defined, occurring within the United States—

(1) the Administrator will guarantee any public or private financing institution against loss of principal and interest with respect to any loan in an amount not to exceed such subsequent flood loss (as modified by subsection (f) of this section, relat-

ing to deductibility), which may be made by such institution to any such person in connection with such flood loss; and

(2) to the extent that a loan to finance such flood loss is not available from any such institution on reasonable terms, the Administrator will make a loan directly to such person in an amount covering all or part (as provided for in the loan contract between the Administrator and such person) of the difference between the amount of such flood loss (as modified by such subsection (f), relating to deductibility) and the amount of the loan available from such institution.

Each such contract shall contain such terms and conditions, and require from any such person such monetary consideration, as the Administrator may prescribe by regulation. In issuing such regulations the Administrator shall fix such monetary consideration at the lowest practicable amount, following generally the same principles as apply under section 7 (a) with respect to the establishment of fees for insurance.

(b) Any loan made or guaranteed under this section shall bear interest at the rate, as determined by the Administrator, which is prevailing in the area where the money loaned is to be used but such rate shall not exceed 4 percent per annum on the unpaid principal balance.

(c) Any Federal Reserve bank, when designated by the Administrator, is hereby authorized to act, on behalf of the Administrator, as fiscal agent of the United States in guaranteeing loans under this section and in otherwise taking action in connection with such guarantees. Such funds as may be necessary to enable such bank to carry out any such guarantee shall be supplied and disbursed by or under authority of the Administrator from the Disaster Loan Fund. Such bank shall not have any responsibility or accountability except as agent in taking any action in connection with such guarantees. Each such bank shall be reimbursed by the Administrator, from funds appropriated by the Federal Government, for all expenses incurred by the bank in acting as agent on behalf of the Administrator, including among such expenses, notwithstanding any other provision of law, attorneys' fees and expenses of litigation.

(d) Actions and operations of such banks under authority of subsection (c) of this section shall be subject to the supervision of the Administrator and subject to such regulations as he may prescribe. The Administrator is authorized to prescribe the term and incidental charges for loans guaranteed under subsection (c) of this section. The Administrator is further authorized to prescribe regulations with respect to the forms and procedures (which shall be uniform to the maximum extent practicable) to be utilized in connection with such guarantees.

(e) To the maximum extent practicable, loans under this section shall be on a long-term basis in accordance with regulations prescribed by the Administrator, if so requested by the person obtaining the loan.

(f) Loans under this section shall be made only with respect to amounts exceeding the first \$500 of the amount of the loss.

(g) The face amount of all loan contracts outstanding under this section at any one time shall not exceed \$2 billion; but such amount may be increased, with the approval of the President, by not to exceed \$500 million in any one fiscal year.

(h) The provisions of sections 8, 9, 10 (a), 10 (b), 12 (b), 12 (c), 13, 14, 15 (e), 15 (g), 17 (a), 18, 19, 20, 22, and 23 of this act shall be applicable with respect to the loan contract program under this section.

COMBINATION OF INSURANCE AND LOANS

SEC. 6. The Administrator is authorized to establish, under such regulations as he may prescribe, a program combining insurance and loans in order to provide the greatest

variety and amount of protection against loss to the greatest number of affected parties in accordance with individual needs.

ESTIMATED RATES AND FEES

SEC. 7. (a) The Administrator shall from time to time establish a schedule of "estimated rates" for insurance offered under the provisions of this act, which would be adequate, in his judgment, to produce sufficient proceeds to pay all claims for probable losses over a reasonable period of years. Such "estimated rates" shall be used as a basis for determining the fees to be paid by the persons insured. They shall be based on consideration of the risks involved and shall be uniform for similar risk within a given classification of property. They shall not include any loading for administrative expenses of the Federal Government under this act. The Administrator shall establish a schedule of fees to provide insurance protection at reasonable costs designed to achieve marketability: *Provided*, That no insurance policy shall be issued for a fee less than 60 percent of such "estimated rate," except that reduced fees may be established for insurance on any classification of owner-occupied dwelling units if the Administrator determines that without such reduction the owners of such dwelling units as a class could not afford to pay the fees chargeable for such insurance. The Administrator is authorized to establish such classifications of fees as he deems necessary to carry out the purposes of this act based on the use of the property to be insured, the availability of insurance from private sources covering such property, and the ability of the insured to self-insure or reinsure and may establish differentials in levels of fees for such classifications: *Provided*, That all such fees shall be uniform for similar risks within a given classification of property. The Administrator shall from time to time pay into the Disaster Insurance Fund, hereinafter created, an amount equal to the difference between the fees charged for insurance policies issued and the amount which would have been charged if the "estimated rates" were applied.

(b) The Administrator from time to time shall also negotiate with insurance companies seeking reinsurance for the purpose of establishing fees for reinsurance offered under the provisions of this act. Such fees shall be based on consideration of the risks involved and shall be adequate, in the judgment of the Administrator, to produce sufficient proceeds over a reasonable period of years to pay all claims for losses. The fees shall not include any loading for administrative expenses of the Federal Government under this act.

PROPERTY AND LOSS LIMITS

SEC. 8. The Administrator is authorized to provide for the determination of types and location of property with respect to which insurance or reinsurance shall be made available under this act, the nature and limits of loss or damage in any area (including subdivisions thereof) which may be covered by such insurance or reinsurance, and such other matters as may be necessary to carry out the purposes of this act.

RISK CLASSIFICATION

SEC. 9. The Administrator may from time to time issue appropriate regulations regarding the classification, limitation, and rejection of risks assumed by him under authority of this act.

POLICY AND PROGRAM LIMITS

SEC. 10. (a) The outstanding face amount of insurance issued by the Administrator under this act shall not exceed \$250,000 per person: *Provided*, That the fact amount of such insurance on any dwelling unit (including any structures and personal property connected therewith) shall not exceed \$10,000.

(b) The Administrator may from time to time issue appropriate regulations regarding

insurance coverage available to joint owners and subsidiary and affiliated corporations as he shall deem advisable to effectuate the purposes of this act.

(c) Each insurance policy issued by the Administrator shall contain a loss-deductible clause relieving him from any liability for paying the first \$100 of a proved and approved claim for loss, plus 5 percent of the remainder, or such larger amount or percentage as may be specified by the Administrator upon issuance of the insurance policy, taking into consideration the class of risk involved.

(d) The face amount of insurance policies and reinsurance agreements outstanding at any one time under this act shall not exceed \$3 billion (which may be increased with the approval of the President by further amounts not to exceed \$2 billion in the aggregate if such increase is deemed advisable to effectuate the purposes of this act) minus the aggregate amount of claims proved and approved under insurance policies and reinsurance agreements issued under this act, but plus fees collected hereunder. For the purpose of applying this limitation, the face amount of any policy or agreement shall be deemed to be the original amount minus claims proved and approved thereunder.

REINSURANCE REGULATORY AUTHORITY

SEC. 11. (a) The Administrator is authorized to issue such regulations regarding reinsurance under this act as he deems advisable in order to carry out the purposes of this act.

(b) The premium rate and terms and conditions of any policy reinsured under the provisions of this act shall be subject to approval by the administrator.

(c) The Administrator shall use his best efforts to encourage private insurance companies to undertake the issuance of insurance policies covering that portion of the loss in excess of the limits specified in section 10 (a) of this act resulting from damage to or destruction of real or personal property due to flood as defined in this act. The Administrator may seek to achieve this end by offering a program of appropriate reinsurance within the authority granted him by this act.

(d) Wherever practicable, the Administrator may encourage, by offering suitable reinsurance subject to the provisions of this act, the issuance by private insurance companies of policies insuring against loss resulting from damage to or destruction of real or personal property due to flood.

NONDUPLICATION OF AVAILABLE INSURANCE

SEC. 12. (a) No insurance or reinsurance, or loan contract, shall be issued under the provisions of this act covering risks against which insurance is available on reasonable terms from other public or private sources.

(b) No insurance or reinsurance shall be issued under the provisions of this act on any property declared by a duly constituted State or local zoning authority, or other authorized public body, to be in violation of State or local flood zoning laws.

(c) After June 30, 1958, no insurance or reinsurance shall be issued under the provisions of this act in any geographical location unless an appropriate public body shall have adopted and shall keep in effect such flood zoning restrictions, if any, as may be deemed necessary by the Administrator to reduce, within practicable limits, damages from flood in such location.

USE OF OTHER PUBLIC AND PRIVATE FACILITIES

SEC. 13. (a) In providing insurance or reinsurance under this act, the Administrator shall use to the maximum practicable extent the facilities and services of private organizations and persons authorized to engage in the insurance business under the laws of any State (including insurance companies, agents, brokers, and adjustment organizations); and the Administrator may ar-

range for payment of reasonable compensation therefor.

(b) In providing insurance or reinsurance under this act, the Administrator may use the services of other public agencies, and pay reasonable compensation therefor.

(c) The Administrator may supply, receive from and exchange with other agencies of the Federal Government, State, local, and interstate commissions or agencies, and private organizations experienced in the fields of insurance or reinsurance, such information as may be useful in the administration of the programs authorized by this act.

(d) In carrying out the functions authorized in this act, the Administrator may consult with other agencies of the Federal Government and interstate, State, and local public agencies having responsibilities for land use and flood control and for flood zoning and flood-damage prevention in order to assure that the insurance and reinsurance programs are consistent with the programs of such agencies. Where the program of the Administrator may affect existing or proposed flood-control works under the jurisdiction of agencies of the Federal Government these agencies shall cooperate with the Administrator in coordinating their respective programs. The Secretary of Agriculture and the Administrator shall coordinate the administration of their respective programs relating to flood insurance and reinsurance for agricultural commodities.

CLAIMS PAYMENT AND JUDICIAL REVIEW

SEC. 14. (a) Under such regulations as the Administrator may prescribe, he shall arrange for prompt adjustment and payment of valid claims for losses covered by insurance or reinsurance under this act.

(b) Upon disallowance of any claim against the Administrator under color of any insurance or reinsurance made available under this act, or upon refusal of the claimant to accept the amount allowed upon any such claim, the claimant may institute an action against the Administrator on such claim in the United States district court in which a major portion (in terms of value) of the insured property is located. Any such action must be begun within 1 year after the date upon which the claimant receives from the Administrator written notice of disallowance or partial disallowance of the claim. For the purposes of this section, the Administrator may be sued and he shall appoint one or more agents within the jurisdiction of each United States district court upon whom service of process can be made in any action instituted under this section. Exclusive jurisdiction is hereby conferred upon all United States district courts to hear and determine such actions without regard to the amount in controversy.

FUNDS AND TREASURY BORROWINGS

SEC. 15. (a) To carry out the purposes of this act, the Administrator is authorized to establish three funds to be known as the (1) Disaster Insurance Fund, (2) Disaster Reinsurance Fund, and (3) Disaster Loan Fund.

(b) Into the Disaster Insurance Fund shall be deposited all insurance fees collected by the Administrator for insurance policies issued by him under this act. Into the Disaster Reinsurance Fund shall be deposited all fees collected by the Administrator in connection with reinsurance made available by him under this act. Into the Disaster Loan Fund shall be deposited amounts accruing to the United States in connection with loan contract transactions.

(c) Moneys in each of the funds may be invested in obligations of the United States or in obligations guaranteed as to principal and interest by the United States. Such obligations may be sold and the proceeds derived therefrom may be reinvested as above provided if deemed advisable by the Administrator. Income from such investment or reinvestment shall be deposited in the re-

spective fund from which the investment was made.

(d) All salvage proceeds realized by the Administrator in connection with insurance made available under this act shall be deposited in the Disaster Insurance Fund; and all salvage proceeds realized by the Administrator in connection with reinsurance made available under this act shall be deposited in the Disaster Reinsurance Fund.

(e) The Administrator is authorized to issue to the Secretary of the Treasury from time to time and have outstanding at any one time, in an amount not exceeding \$500 million (or such greater amount as may be approved by the President) notes or other obligations in such forms and denominations, bearing such maturities, and subject to such terms and conditions as may be prescribed by the Administrator, with the approval of the Secretary of the Treasury. Such notes or other obligations shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the current average rate on outstanding marketable obligations of the United States of comparable maturities as of the last day of the month preceding the issuance of such notes or other obligations. The Secretary of the Treasury is authorized and directed to purchase any notes and other obligations to be issued hereunder and for such purpose he is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under such act, as amended, are extended to include any purchases of such notes and obligations.

The Secretary of the Treasury may at any time sell any of the notes or other obligations acquired by him under this section. All redemptions, purchases, and sales by the Secretary of the Treasury of such notes or other obligations shall be treated as public debt transactions of the United States. Funds borrowed under this section shall be deposited, in such proportions as the Administrator deems advisable, in the Disaster Insurance Fund, the Disaster Reinsurance Fund, and the Disaster Loan Fund.

(f) Moneys in the Disaster Insurance Fund, the Disaster Reinsurance Fund, and the Disaster Loan Fund may be used for the following purposes as deemed necessary by the Administrator:

(1) To pay from the Disaster Insurance Fund proved and approved claims for loss under, and other nonadministrative expenses arising in connection with insurance policies issued by the Administrator under this act;

(2) To pay from the Disaster Reinsurance Fund proved and approved claims under, and other nonadministrative expenses arising in connection with, reinsurance agreements entered into by the Administrator under this act;

(3) To pay from the Disaster Loan Fund the amounts of loans made by the Administrator, amounts in payment of guarantees, and other nonadministrative expenses in connection with direct and guaranteed loans under this act; and

(4) To repay to the Secretary of the Treasury sums borrowed from him in accordance with the provisions of subsection (e) of this section.

(g) All administrative expenses of the Federal Government under this act shall be paid from funds appropriated by the Federal Government.

ADVISORY COMMITTEE

SEC. 16. In carrying out his functions under this act, the Administrator shall appoint an advisory committee as authorized by section 601 of the Housing Act of 1949, as amended (68 Stat. 590, 645). Such committee shall consist of not less than 3 nor more

than 15 persons familiar with the problems of insurance or reinsurance, to advise the Administrator with respect to the formulation of policies and the execution of functions under this act.

STUDIES

SEC. 17. (a) The Administrator shall undertake a continuing study of the practicability of extending the coverage of insurance programs similar to those authorized under this act to any one or more natural disaster perils, other than flood, against which, and for the period during which, insurance protection is not generally and practically available in all geographical locations from other public or private sources.

(b) The Administrator shall also undertake a continuing study of participation by private insurance companies in the programs authorized by this act, in order that the protection it authorizes can be provided, whenever practicable, through insurance policies issued by private insurance companies and reinsured with the Administrator, in lieu of providing such protection through insurance policies issued in the name of the Administrator.

(c) The Administrator shall undertake a continuing study of the feasibility of having private insurance companies take over, with or without some form of Federal financial support, the insurance programs authorized by this act.

ADDITIONAL FUNCTIONS

SEC. 18. For the purpose of carrying out functions under this act the Administrator may—

(a) sue or be sued;

(b) without regard to sections 3648 and 3709 of the Revised Statutes, as amended (31 U. S. C. 529 and 41 U. S. C. 5), and section 322 of the act of June 30, 1932 (47 Stat. 412, as amended (40 U. S. C. 278a)), enter into and perform contracts, leases, cooperative agreements, or other transactions, on such terms as he may deem appropriate, with any agency or instrumentality of the United States, or with any State or agency or political subdivision thereof, or with any person, firm, association, or corporation and consent to modification thereof, and make advance or progress payments in connection therewith;

(c) without regard to sections 3648 and 3709 of the Revised Statutes, as amended (31 U. S. C. 529 and 41 U. S. C. 5), and section 322 of the act of June 30, 1932 (47 Stat. 412, as amended (40 U. S. C. 278a)), by purchase, lease, or donation acquire such real and personal property and any interest therein, make advance or progress payments in connection therewith, and hold, use, maintain, insure against loss, sell, lease, or otherwise dispose of such real and personal property as the Administrator deems necessary to carry out the purposes of this act;

(d) appoint, pursuant to civil-service laws and regulations, such officers, attorneys, and employees as may be necessary to carry out the purposes of this act; fix their compensation in accordance with the provisions of the Classification Act of 1949, as amended; define their authority and duties; provide bonds for such of them as he may deem necessary; and delegate to them, and authorize successive redelegations by them of such of the powers vested in him by this act as he may determine;

(e) conduct researches, surveys, and investigations relating to flood insurance and reinsurance and assemble data for the purpose of establishing estimated rates, fees, and premiums for flood insurance and reinsurance under this act;

(f) issue such rules and regulations as he deems necessary to carry out the purposes of this act; and

(g) exercise all powers specifically granted by the provisions of this act and such inci-

dental powers as are necessary to carry out the purposes of this act.

RESERVATION OF RIGHTS IN REAL ESTATE ACQUIRED

SEC. 19. The acquisition by the Administrator of any real property pursuant to this act shall not deprive any State or political subdivision thereof of its civil or criminal jurisdiction in and over such property or impair the civil rights under the State or local law of the inhabitants on such property.

TAXATION

SEC. 20. Nothing in this act shall be construed to exempt any real property, acquired and held by the Administrator in connection with the payment of any claim under this act, from taxation by any State or political subdivision thereof, to the same extent, according to its value, as other real property is taxed.

ANNUAL REPORT

SEC. 21. The annual report made by the Administrator to the President for submission to the Congress under existing law on all programs provided for under this act shall contain a comprehensive report concerning (1) the operation of insurance, reinsurance, and loan programs authorized under this act, and (2) the status and result of studies authorized under section 17 of this act, together with such recommendations, if any, for legislative changes deemed by the Administrator desirable to improve the operation of programs authorized under this act. The annual report for the calendar year ending December 31, 1961, shall contain an express opinion of the Administrator, supported by pertinent findings, concerning the advisability of withdrawing in whole or in part Federal financial support for insurance policies to be issued at any time after June 30, 1962, offering protection as authorized in this act, taking into consideration, the desirability of offering such protection. Such opinion shall be accompanied by recommendations for legislative changes deemed desirable by the Administrator in the event the opinion is to the effect that any such withdrawal of financial support is advisable.

DEFINITIONS

SEC. 22. As used in this act the term—

(a) "Flood" includes any flood, tidal wave, wave wash, or other abnormally high tidal water, deluge, or the water component of any hurricane or other severe storm, surface landslide due to excess moisture, and shall have such other meaning as may be prescribed by regulation of the Administrator.

(b) "Person" means an individual or group of individuals, corporation, partnership, association, or any other organized group of persons, including State and local governments and agencies thereof;

(c) "United States", when used in a geographic sense, means the several States, the District of Columbia, the Territories, the possessions, and the Commonwealth of Puerto Rico;

(d) "State" includes the several States, the District of Columbia, the Territories, the possessions, and the Commonwealth of Puerto Rico; and

(e) "Administrator" means the Housing and Home Finance Administrator.

SEPARABILITY PROVISION

SEC. 23. If any provision of this act or the application of such provision to any person or circumstances shall be held invalid, the remainder of the act and the application of such provision to any person or circumstance other than those as to which it is held invalid shall not be affected thereby.

Mr. FULBRIGHT. Mr. President, I move that the Senate disagree to the

amendment of the House, request a conference with the House on the disagreeing votes of the two Houses thereon, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the Presiding Officer (Mr. FREAR in the chair) appointed Mr. LEHMAN, Mr. FULBRIGHT, Mr. MONRONEY, Mr. MORSE, Mr. CAPEHART, Mr. BRICKER, and Mr. BUSH conferees on the part of the Senate.

SERVICE OF THE SECRETARY OF THE TREASURY AS CHAIRMAN OF A SENATORIAL CAMPAIGN COMMITTEE

Mr. MONRONEY. Mr. President, today I was most interested to read in the Washington Post an editorial dealing with a subject matter which has disturbed me considerably; and from my conversations with other Members of the Senate, I find that it has disturbed them, as well.

First, Mr. President, I should like to read the editorial. Let me say that by no stretch of the imagination could the Washington Post be considered to be a "Democratic house organ."

It consistently supported President Eisenhower in his campaign in the great crusade of 1952, and it has consistently supported him during his 3½ years of administration.

I think it is significant that this newspaper, which is one of the most friendly in the United States toward Mr. Eisenhower, his so-called team, and his administration, should publish this editorial, which I wish to read for the information of the Senate. After reading the editorial, I shall comment upon it.

The editorial reads as follows:

MR. HUMPHREY'S BITE

The interest of Treasury Secretary Humphrey in helping elect a Republican Congress in November is altogether understandable. Not so much can be said for Mr. Humphrey's judgment in agreeing to serve as chairman of the Bender-for-Senator Campaign Committee in Ohio. The committee reportedly was undertaken to raise a \$400,000 campaign fund for Senator BENDER.

The Secretary of the Treasury has the ultimate responsibility for ruling on Federal tax cases from all over the country, including Ohio. Although Secretary Humphrey's personal integrity and honorable intentions are not in the slightest question, his position at the head of a campaign raising political funds might lend itself to misunderstanding on the part of persons solicited. The solicitations might be construed as alternatively a command or a come-in for favorable treatment. The chief fiscal officer of the Government, a senior member of the Cabinet, ought to be especially at pains to set an example in his conduct and to refrain from any political activity of the sort that might involve his office even remotely. Surely Mr. Humphrey, when he thinks about it, will see the impropriety of the extracurricular job he has undertaken.

Mr. President, I agree completely with the editorial in the Washington Post. I, along with many other Members of the Senate, was shocked at the lack of judgment, the lack of political acumen, and the lack of understanding of what occupation of the dual role of campaign chairman and political-fund raiser, on

the one hand, and of the chief fiscal administrator of our Government, on the other hand could do our political system.

I have tremendous respect for the personal integrity, sincerity, and ability of the Secretary of the Treasury, even though I disagree with him on many political issues. I think every Member of this body shares that point of view, and appreciates the integrity of the Secretary of the Treasury; and by that I mean the present incumbent.

But, Mr. President, when the Secretary of the Treasury so far forgets the proprieties of his great office and the vast, overwhelming power of his office, as to actively engage as campaign chairman for a United States Senator, the Secretary of the Treasury is damaging the very fiscal machinery which he has taken an oath to administer with all propriety and with all due diligence.

Mr. President, it would seem to me that Mr. Humphrey should reevaluate and reassess the vast power he now holds as the Secretary of the Treasury. He holds power over our entire banking system, including the power to determine in most cases whether a bank shall have competition by means of the opening of a new bank in the same area, his control over the deposits of Federal funds in banks, and his right of determination as to which banks shall receive such deposits, all of which can affect the earning power of almost every bank in the United States, including those in the State of Ohio.

Furthermore, let me say that since there comes under the Treasury Department the vast Bureau of Internal Revenue, with its thousands of pending income-tax cases, and with the power of investigation over all income tax returns by the Internal Revenue agents being able to open and investigate any one of the individual income-tax returns made by any taxpayer of the United States, certainly the Secretary of the Treasury should place his office above any suspicion, justified or unjustified, of charges of political interference or political manipulation.

I have talked to some of the senior Members of this body, and not one of them can ever recall a time when a Secretary of the Treasury has ever injected himself into political fund raising or political campaign managing.

As I have said, Mr. Humphrey is a man of great integrity. But no matter how great his integrity may be, the things which will be done in his name in any political campaign, by the lieutenants in the lower echelons of money-raising activities, or the pressures which can be brought through junior lieutenants who might use his name for political power, may be extremely dangerous to a clean election and a fair election, an election in which any American voter who has vast financial interests may take a part—as a good American should—as a private citizen in the election of the candidate of his choice.

Therefore, Mr. President, if we in the Congress are as interested as we said we were when 85 Members of this body signed a clean election bill, in hopes of eliminating slush funds from politics,

July 26, 1956

Reps. Hays, Multer, and Fulton objected to the consideration of S. 1079, to authorize the Secretary of Agriculture to sell at not less than the appraised value, and under such terms and conditions as he deems appropriate, lands in the national forests which are isolated parcels or narrow projecting strips, when he finds such lands suitable for private ownership and better adapted to commercial, agricultural, residential, or private purposes other than to national forest purposes. p. 13487

Rep. Green objected to the consideration of H. R. 3436, to provide that sums paid to States from moneys received from national forests may be used for governmental purposes other than for the benefit of public schools and roads. p. 13557

34. LANDS. Passed as reported S. 4058, to authorize the extension of a lease by the Chicago, Milwaukee, St. Paul and Pacific Railroad Company to certain research station land in Montana. p. 13479

At the request of Rep. Aspinall (for the sponsor of the bill), passed over H. R. 8250, to require conformance with State and Territorial fish and game laws and licensing requirements on Federal lands not subject to such laws. pp. 13486, 13504

Passed without amendment H. R. 12185, to provide that withdrawals or reservations of more than 5,000 acres of public lands of the U. S. for certain purposes shall not become effective until approved by act of Congress. p. 13489

Passed with amendment S. 2585, to authorize an exchange of land at the ARS Beltsville center. The amendment by Rep. Dorn exempts the Coneross Watershed Project, S. C., from certain provisions of Sec. 2 and 5 of the Watershed Protection and Flood Prevention Act relating to congressional review of projects. p. 13558

35. SOIL BANK. Reps. Mason, Marshall, and Gross objected to the consideration of H. R. 11958, to amend the acreage reserve provisions of the Soil Bank Act to permit inclusion of certain drought damaged acreage up to 30 days prior to harvest. p. 13487

36. FLOOD CONTROL. Conferees were appointed on H. R. 12080, to authorize the construction, repair, and preservation of certain public works on rivers and harbors for navigation, and Army flood control projects. Senate conferees were appointed on July 26. p. D893

37. FLOOD INSURANCE. Conferees were appointed on S. 3732, to provide insurance against flood damage. Senate conferees were appointed on July 26. p. D893

38. WATER SUPPLY. At the request of Rep. Ford, passed over S. 2374, to authorize the Secretary of the Army to enter into contracts to furnish water for municipal water supplies from flood control and river and harbor projects. p. 13486

39. RECLAMATION; ELECTRIFICATION. Rejected, 179 to 194, a resolution for the consideration of H. R. 479, to authorize the construction, operation, and maintenance by the Secretary of the Interior of the Fryingpan-Arkansas River project. p. 13504

40. RECORDS. At the request of Rep. Cunningham, passed over S. 2364, to further clarify GSA authority over certain records disposal. p. 13485

41. ATOMIC ENERGY. Reps. Hays, Price, and Holifield objected to the consideration of H. R. 9743, to encourage maximum development of atomic-energy reactors for the generation of low-cost electric power and the production, utilization, and treatment of special nuclear and other materials. p. 13486

Passed without amendment S. 4203, to amend the Atomic Energy Act of 1954. This bill provides that the AEC may make grants to colleges and universities for reactors, including food sterilization reactors, and provides for the transfer of administrative control over certain lands in the Santa Fe National Forest from the Forest Service to the AEC. This bill is now ready for the President. p. D893

42. LABOR STANDARDS. Passed without amendment S. 3956, relative to minimum wages in the Samoa Islands. A similar bill, H. R. 11799, was laid on the table. This bill is now ready for the President. p. 13561

43. TRANSPORTATION. The Merchant Marine and Fisheries Committee issued a report on "Investigation Into the Activities of Foreign Freight Forwarders and Brokers" (H. Rept. 2939). p. D890

44. PAPERWORK. The House Administration Committee issued a report on "Paperwork Management and Printing Facilities in the United States Government" (H. Rept. 2945). p. D891

45. N.B. (The remainder of the House proceeding for July 26 will be printed in the Congressional Record for July 27). p. 13588

BILLS INTRODUCED

46. ACREAGE ALLOTMENTS. S. 4290, by Sen. Clements, a bill to amend the Agricultural Adjustment Act of 1938 with respect to the waiving of requirements with respect to the time of filing of applications for review of determinations of acreage allotments; to Agriculture and Forestry Committee.

47. PERSONNEL. S. 4294, by Sen. Johnson, a bill to establish a system for the classification and compensation of scientific and professional positions in the Government; to Post Office and Civil Service Committee.

48. SOIL BANK. S. 4297, by Sen. Wiley, a bill to amend the acreage reserve provisions of the Soil Bank Act to permit inclusion of acreage up to 30 days prior to harvest; to Agriculture and Forestry Committee. Remarks of Sen. Wiley, p. 13361

BILLS APPROVED BY THE PRESIDENT

49. LANDS. S. 3344, to authorize the Secretary of Agriculture to convey without reimbursement to the Territory of Alaska, for use as an historic monument site, land containing approximately 1.3 acres and improvements thereon, known as the Baranof Castle site. Approved July 25, 1956 (Public Law 789, 84th Congress).

50. GOVERNMENT SECURITY. S. J. Res. 182, to extend the time for filing the final report of the Commission on Government Security from Dec. 31, 1956 to June 30, 1957. Approved July 25, 1956 (Public Law 786, 84th Congress)

the consideration of the bill, had been adopted earlier by a rollcall vote of 185 yeas to 178 nays.

Pages 13562-13587

Supplemental Appropriations: Adopted the conference report on H. R. 12350, second supplemental appropriation bill for fiscal year 1957, and sent the bill to the Senate.

Pages 13587-13588

Flood Control: Disagreed to Senate amendments to H. R. 12080, omnibus river and harbor flood control bill; requested a conference with the Senate; and appointed as conferees Representatives Fallon, Davis of Tennessee, Blatnik, Jones of Alabama, Dondero, McGregor, and Mack of Washington.

Flood Insurance: Insisted on House amendment to S. 3732, to provide insurance against flood damage; requested a conference with the Senate; and appointed as conferees Representatives Spence, Brown of Georgia, Patman, Rains, Wolcott, Gamble, and Talle.

Military Construction: H. R. 12270, to authorize certain construction at military installations, was cleared for the President by House agreement to Senate amendments thereto.

Fishing Industry: Adopted the conference report on S. 3275, to establish a sound and comprehensive national policy with regard to fisheries resources, and sent the bill to the Senate.

Vessel Sale: Adopted H. J. Res. 685, to authorize the Secretary of Commerce to sell certain war-built vessels.

D. C. Legislation: The following bills pertaining to the District of Columbia were cleared for Presidential action by House agreement to Senate amendments thereto:

Inaugural policing: H. J. Res. 667, providing for maintenance of public order and protection of life and property in connection with Presidential inaugural ceremonies;

Private bill: H. R. 11489, a private bill; and

D. C. securities: H. R. 11090, concerning gifts of securities to minors in D. C.

Waterways: Passed H. R. 7596, to provide for the disposal of federally owned property at obsolescent canalized waterways.

Atomic Energy: Passed and cleared for the President S. 4203, to amend the Atomic Energy Act of 1954 (so-called omnibus AEC bill).

Benbrook Reservoir, Texas: Adopted a committee amendment and passed H. R. 12006, reconveyance of

certain lands in Benbrook Reservoir project, Texas, to former owners of such lands.

Program for Friday: Adjourned at 8:51 p. m. until Friday, July 27, at 10 a. m., when the House will consider numerous miscellaneous bills.

Committee Meetings

FEDERAL POWER PROGRAM

Committee on Government Operations: Subcommittee on Public Works and Resources held hearings on the organized endeavor of certain private electric utilities to influence the Secretary of the Interior in regard to the Federal power program. Witnesses heard on Wednesday, July 25, were Roy F. Penman, Ebasco Services, Inc.; and Alex Radin, American Public Power Association. Testifying today was Fred G. Aandahl, Assistant Secretary, Department of the Interior.

FEDERAL PERSONNEL (WOC'S)

Committee on the Judiciary: Antitrust Subcommittee No. 5 held hearing regarding persons serving in Federal positions without compensation. Richard B. Scudder of the Newark News was heard.

Joint Committee Meetings

RAW MATERIALS

Joint Committee on Atomic Energy: Subcommittee on Raw Materials held an executive meeting to discuss uranium ore procurement and milling programs. Participating in this session was Jesse C. Johnson, Director, Division of Raw Materials, AEC.

FISHERIES RESOURCES

Conferees, in executive session, agreed to file a conference report on the differences between the Senate- and House-passed versions of S. 3275, to establish a sound and comprehensive national policy with regard to fisheries resources.

SECOND SUPPLEMENTAL APPROPRIATIONS

Conferees, in executive session, agreed to file a conference report on the differences between the Senate- and House-passed versions of H. R. 12350, second supplemental appropriations for fiscal 1957.

SOCIAL SECURITY

Conferees, in executive session, agreed to file a conference report on the differences between the Senate- and House-passed versions of H. R. 7225, Social Security Amendments of 1956.

BILLS SIGNED BY THE PRESIDENT

New Laws

(For last listing of public laws, see DIGEST, p. D885)

S. J. Res. 182, to extend the time for the submission of the final report of the Commission on Government Security. Signed July 25, 1956 (P. L. 786).

S. 2092, transferring to jurisdiction of Army the bridge across the Missouri River between Fort Leavenworth Military Reservation in Kansas and Platte County, Mo., and authorizing its removal. Signed July 25, 1956 (P. L. 787).

S. 2424, to name lock and dam No. 17 on the Black Warrior River, Ala., the John Hollis Bankhead lock and dam. Signed July 25, 1956 (P. L. 788).

S. 3344, authorizing conveyance to Territory of Alaska of certain lands in Sitka known as Baronof Castle site. Signed July 25, 1956 (P. L. 789).

S. 3032, granting the consent and approval of Congress to the Middle Atlantic Interstate Forest Fire Protection Compact. Signed July 25, 1956 (P. L. 790).

S. 2895, relating to payment of cost and expense of constructing railway-highway grade-elimination structures in D. C. Signed July 25, 1956 (P. L. 791).

S. 3498, extending authority of American Battle Monuments Commission to all areas of U. S. Armed Forces operations since 1917. Signed July 25, 1956 (P. L. 792).

S. 3180, appointment of U. S. commissioners for Cumberland Gap National Historical Park. Signed July 25, 1956 (P. L. 793).

S. 3397, relating to extension of time in which payments are to be made to members of the Shoshone and Arapahoe Tribes of the Wind River Reservation, Wyo. Signed July 25, 1956 (P. L. 794).

H. R. 10670, to extend coverage of D. C. Unemployment Act to employees of District municipal government employed in D. C. Signed July 25, 1956 (P. L. 795).

H. R. 5265, to exempt certain additional foreign travel from the tax on the transportation of persons. Signed July 25, 1956 (P. L. 796).

H. R. 2603, to increase the area within which officers and members of the Metropolitan Police force and the Fire Department of the D. C. may reside. Signed July 25, 1956 (P. L. 797).

H. R. 9593, to simplify accounting and to facilitate the payment of obligations. Signed July 25, 1956 (P. L. 798).

H. R. 5853, to amend the act of 1907 relative to regulating the practice of veterinary medicine in the D. C. Signed July 25, 1956 (P. L. 799).

H. R. 11766, providing for the establishment of the Horse Shoe Bend National Military Park in Alabama. Signed July 25, 1956 (P. L. 800).

H. R. 10368, to amend the Civil Service Act to require inclusion of certain information in executive communications to Congress proposing creation or expansion of functions. Signed July 25, 1956 (P. L. 801).

H. R. 11077, to amend the Atomic Energy Community Act of 1955. Signed July 25, 1956 (P. L. 802).

July 27, 1956

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(For Department Staff Only)

Issued July 30, 1956
For actions of July 27, 1956
84th-2nd, Nos. 130 & 131

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HIGHLIGHTS: Cleared following bills for President: 2nd supplemental appropriation bill; flood insurance bill; fisheries-wildlife bill; mutual security appropriation bill; housing loans bill; social security bill; USDA points-of-order bill. Sen. Murray spoke favoring mandatory poultry inspection. Sen. Martin, Iowa, praised Administration's farm program. Sen. Stennis commended constructing military housing from sale of surplus commodities. Senate debated payments-in-lieu-of-taxes bill. Rep. Phillips commended accomplishments of agricultural attaches. House Government Operations Committee submitted reports on civil defense, governmental information, CCC purchase-resale operations, etc. Rep. Cooley inserted "84th Congress Record in Behalf of Agriculture."

HOUSE - July 26 (Continued)

1. SECOND SUPPLEMENTAL APPROPRIATION BILL, 1957. Agreed to the conference report on this bill, H. R. 12350, and acted on amendments which had been reported in disagreement. p. 13589 (As reported in Digest 129, the Senate later rejected the report and requested a new conference.)
2. FLOOD CONTROL. House conferees were appointed on H. R. 12080, the omnibus Army flood control bill. p. 13593
3. FLOOD INSURANCE. House conferees were appointed on S. 3732, the flood insurance bill. p. 13593
4. FISHERIES; WILDLIFE. Received and agreed to the conference report on S. 3275, the fisheries-wildlife bill. This bill will now be sent to the President. pp. 13595, 13597
As finally passed, the bill includes provisions as follows: Establishes in the Interior Department the position of Assistant Secretary for Fish and Wildlife and the position of Commissioner of Fish and Wildlife. Creates a Fish and Wildlife Service in the Department, consisting of two separate agencies to be known as the Bureau of Commercial Fisheries and the Bureau of Sports Fisheries and Wildlife. Requires the transfer to Interior of all functions of the Agriculture Department and other agencies, as determined by the Budget Bureau to relate primarily to the development, advancement, management, conservation, and protection of commercial fisheries. Makes permanent the provision for transfer of certain Sec. 32 funds from Agriculture to Interior and provides that such sums shall be available until expended.
The statement of the House conferees includes the following: "The reference to wildlife in the section relating to transfer of functions of the Department of Agriculture in the House amendments has been deleted, since it is not the intention to disturb that Department's control of wildlife in the national forests."
5. AGRICULTURAL ATTACHES. Rep. Phillips praised the accomplishments of the agricultural attaches and defended them against charges that agriculture is the only subject they know. p. 13606
6. FARM MANAGEMENT. The House Administration Committee submitted a "Report on Farm Management in the United States Government" (H. Rept. 2945). p. 13614

HOUSE - July 27

7. SECOND SUPPLEMENTAL APPROPRIATION BILL, 1957. Both Houses agreed to the new conference report on this bill, H. R. 12350, and acted on amendments which had been reported in disagreement. For provisions for this Department, see Digest 129. This bill will now be sent to the President. pp. 13799, 13810, 13830, 13726
(201-140)
8. ELECTRIFICATION. Passed/with amendments S. 3338, to prohibit the Southwestern Power Administration from raising its rates for REA cooperatives and certain others until July 1, 1957. The Senate concurred in the House amendments. This bill will now be sent to the President. pp. 13799, 13712
9. RECLAMATION. Passed without amendment S. 3594, to authorize additional work on the Farwell unit, Missouri Basin project. This bill will now be sent to the President. An identical bill, H. R. 7435, was laid on the table. p. 13820
Passed without amendment S. 3101, to authorize the Crooked River project,

the sum of "\$4,275,000" named in said amendment insert "\$4,025,000"; and in lieu of the first sum of "\$200,000" named in said amendment insert "\$175,000"; and in lieu of the second sum of "\$200,000" named in said amendment insert "\$100,000."

The motion was agreed to.

The SPEAKER. The Clerk will report the next amendment in disagreement.

The Clerk read as follows:

Senate amendment No. 37: On page 11, line 2, insert:

"ALEXANDER HAMILTON BICENTENNIAL COMMISSION

"For an additional amount for 'Alexander Hamilton Bicentennial Commission,' \$55,000, to remain available until expended: *Provided*, That section 7 of the joint resolution entitled 'Joint resolution to establish a commission for the celebration of the two hundredth anniversary of the birth of Alexander Hamilton,' approved August 20, 1954, is amended to read as follows:

"SEC. 7. There are hereby authorized to be appropriated such sums, not to exceed \$25,000, in addition to the sum of \$175,000 heretofore authorized to be appropriated, as the Congress may determine to be necessary to carry out the provisions of this joint resolution."

Mr. CANNON. Mr. Speaker, I move that the House recede and concur in the Senate amendment with an amendment.

The Clerk read as follows:

Mr. CANNON moves that the House recede from its disagreement to the amendment of the Senate numbered 37, and concur therein with an amendment, as follows: In lieu of the sum of "\$55,000" named in said amendment insert "\$40,000."

The motion was agreed to.

The SPEAKER. The Clerk will report the next amendment in disagreement.

The Clerk read as follows:

Senate amendment No. 52: On page 14, line 14, insert:

"Salaries and expenses: For an additional amount for 'Salaries and expenses,' \$290,000: *Provided*, That of this amount (a) \$85,000 shall be available only upon enactment into law of H. R. 11695, 84th Congress, or similar legislation, (b) \$45,000 shall be available only upon enactment of H. R. 11549 or S. 3958, 84th Congress, and (c) \$20,000 shall be available only upon enactment into law of H. R. 11253 or S. 3620, 84th Congress."

Mr. CANNON. Mr. Speaker, I move the House recede and concur in the Senate amendment with an amendment.

The Clerk read as follows:

Mr. CANNON moves that the House recede from its disagreement to the amendment of the Senate numbered 52, and concur therein with an amendment, as follows: In lieu of the matter proposed by said amendment insert:

"Salaries and expenses: For an additional amount for 'Salaries and expenses,' \$270,000: *Provided*, That of this amount (a) \$85,000 shall be available only upon enactment into law of H. R. 11695, 84th Congress, or similar legislation, and (b) \$45,000 shall be available only upon enactment of H. R. 11549 or S. 3958, 84th Congress."

The motion was agreed to.

The SPEAKER. The Clerk will report the next amendment in disagreement.

The Clerk read as follows:

Senate amendment No. 53: On page 14, line 23, insert:

"Salaries and expenses: For salaries and expenses for the President's Committee on

Education Beyond the High School, including services as authorized by section 15 of the act of August 2, 1946 (5 U. S. C. 55a), and expenses of attendance at meetings, \$300,000."

Mr. CANNON. Mr. Speaker, I move that the House recede and concur in the Senate amendment with an amendment.

The Clerk read as follows:

Mr. CANNON moves that the House recede from its disagreement to the amendment of the Senate numbered 53, and concur therein with an amendment, as follows: In lieu of the sum named in said amendment insert "\$150,000."

The motion was agreed to.

The SPEAKER. The Clerk will report the next amendment in disagreement.

The Clerk read as follows:

Senate amendment No. 57: On page 15, line 20, insert: "Grants for waste treatment works construction: For payments under section 6 of the Water Pollution Control Act, as amended, \$50,000,000, to remain available until expended."

Mr. CANNON. Mr. Speaker, I move that the House recede and concur in the Senate amendment with an amendment.

The Clerk read as follows:

Mr. CANNON moves that the House recede from its disagreement to the amendment of the Senate numbered 57, and concur therein with an amendment, as follows: In lieu of the matter proposed by said amendment insert:

"Grants for waste treatment works construction: For payments under section 6 of the Water Pollution Control Act, as amended, \$50,000,000, to remain available only until June 30, 1958."

The motion was agreed to.

The SPEAKER. The Clerk will report the next amendment in disagreement.

The Clerk read as follows:

Senate amendment No. 86: On page 25, line 4, insert:

"RELATED AGENCIES

"Funds appropriated to the President

"President's Special International Program

"For an additional amount for the 'President's Special International Program,' for United States participation in the Universal and International Exhibition of Brussels, 1958, \$5 million, to remain available until expended: *Provided*, That this paragraph shall be effective only upon enactment into law of S. 3116, 84th Congress, or similar legislation."

Mr. CANNON. Mr. Speaker, I move that the House recede and concur in the Senate amendment with an amendment.

The Clerk read as follows:

Mr. CANNON moves that the House recede from its disagreement to the amendment of the Senate No. 86, and concur therein with an amendment, as follows: In lieu of the sum named in said amendment insert "\$4 million."

(Mr. CANFIELD asked and was given permission to extend his remarks at this point in the RECORD.)

Mr. CANFIELD. Mr. Speaker, I am pleased the House has agreed to the Senate amendment providing for \$200,000 for additional narcotics agents needed to intensify and fortify the campaign to cut down drug addiction in our country and help foreign police ferret out and jail those who develop and smuggle in illicit drugs.

Had the Treasury Department come to the House subcommittee with a re-

quest of this nature, I am certain the item would have been incorporated in the House bill. I am both surprised and distressed that the Treasury did not do so because it is represented in the Interdepartmental Committee which recommended additional agents last February. Since then the House Ways and Means Committee, following an exhaustive study, has called for such action.

When I addressed the House on February 7 last, I pointed out the need for more men in the Bureau which has begun to suffer some attrition in agents due to extra funds needed for special investigations. I referred to the findings of both House and Senate committees and I expressed the hope two things would soon come to pass, first that the Congress would enact into law a bill providing more severe penalties and improved enforcement procedures and secondly, the number of enforcement agents would be increased substantially. When the President signs this second supplemental bill both will have been accomplished.

The narcotics situation in New York, Chicago, Los Angeles, and Texas, needs immediate attention. I want no dope peddlers plying their nefarious trade in my home area of North Jersey, close to New York, and I want to see reinforced Federal strength in this area. I want also to see the little group sent to Europe and the Far East bolstered and helped in their mission to get at the source of supply.

The motion was agreed to.

A motion to reconsider the votes by which action was taken on the several motions was laid on the table.

Mr. CANNON. Mr. Speaker, I ask unanimous consent that all Members who have spoken on this conference report may have 5 legislative days in which to extend their remarks in the RECORD and to include certain tabulated statements.

The SPEAKER. Is there objection to the request of the gentleman from Missouri?

There was no objection.

FLOOD CONTROL ACT OF 1956

Mr. DAVIS of Tennessee. Mr. Speaker, I ask unanimous consent to take from the Speaker's desk the bill (H. R. 12080) authorizing the construction, repair, and preservation of certain public works on rivers and harbors for navigation, flood control, and for other purposes, with Senate amendments thereto, disagree to the Senate amendments, and agree to the conference asked by the Senate.

The SPEAKER. Is there objection to the request of the gentleman from Tennessee? [After a pause.] The Chair hears none and appoints the following conferees: Messrs. FALLON, DAVIS of Tennessee, BLATNIK, JONES of Alabama, DONDERO, and MACK of Washington.

PROVIDING INSURANCE AGAINST FLOOD DAMAGE

Mr. SPENCE. Mr. Speaker, I ask unanimous consent to take from the

Speaker's desk the bill (S. 3732) to provide insurance against flood damage, and for other purposes, with House amendment thereto, insist on the House amendment, and agree to the conference asked by the Senate.

The SPEAKER. Is there objection to the request of the gentleman from Kentucky? [After a pause.] The Chair hears none and appoints the following conferees: Messrs. SPENCE, BROWN of Georgia, PATMAN, RAINS, WOLCOTT, GAMBLE, and TALLE.

REINVESTMENT BY AIR CARRIERS OF NET GAINS FROM THE SALE OR OTHER DISPOSITION OF CERTAIN PROPERTY

The SPEAKER. The question is on the committee amendment.

The committee amendment was agreed to.

The SPEAKER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

Mr. HESELTON. Mr. Speaker, I offer a motion to recommit.

The SPEAKER. Is the gentleman opposed to the bill?

Mr. HESELTON. I am, Mr. Speaker.

The SPEAKER. The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. HESELTON moves to recommit the bill to the Committee on Interstate and Foreign Commerce.

The SPEAKER. The question is on the motion to recommit.

The question was taken; and on a division (demanded by Mr. HESELTON) there were—ayes 93, noes 88.

Mr. HARRIS. Mr. Speaker, I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 196, nays 153, answered "present" 1, not voting 83, as follows:

[Roll No. 125.]

YEAS—196

Abernethy	Burnside	Forand
Addonizio	Byrd	Ford
Albert	Byrne, Pa.	Fountain
Alger	Byrnes, Wis.	Frazier
Andersen,	Canfield	Frelinghuysen
H. Carl	Cannon	Garmatz
Andresen,	Cederberg	Gary
August H.	Chelf	Gathings
Ashley	Chudoff	Gentry
Ashmore	Church	Gray
Aspinall	Clark	Green, Oreg.
Auchincloss	Cooley	Green, Pa.
Avery	Coon	Gregory
Ayres	Cooper	Griffiths
Baldwin	Cramer	Gross
Barrett	Curtis, Mass.	Gubser
Bass, N. H.	Curtis, Mo.	Hagen
Bates	Davidson	Hardy
Becker	Davis, Tenn.	Harrison, Nebr.
Bentley	Dawson, Utah	Harrison, Va.
Betts	Delaney	Hays, Ohio
Boggs	Denton	Hayworth
Boland	Dingell	Henderson
Bolling	Donovan	Heselton
Bolton,	Dorn, N. Y.	Hiestand
Frances P.	Doyle	Hoeven
Bolton,	Edmondson	Hoffman, Mich.
Oliver P.	Ellsworth	Hollifield
Bosch	Engle	Holland
Boyle	Evins	Holmes
Bray	Feighan	Holt
Brown, Ga.	Fino	Holtzman
Brown, Ohio	Fjare	Hull
Budge	Flood	Jenkins

Jennings	Moss	Sikes
Johnson, Wis.	Moulder	Simpson, Ill.
Jonas	Multer	Sisk
Jones, Mo.	Mumma	Smith, Miss.
Judd	Murray, Tenn.	Spence
Karsten	Natchr	Sullivan
Kean	Nicholson	Taber
Keating	Norblad	Talle
Knox	O'Brien, Ill.	Thomas
Knutson	O'Hara, Ill.	Thompson, N. J.
Laird	O'Konski	Tollefson
Landrum	Ostertag	Tumulty
Lanham	Perkins	Udall
Latham	Pfost	Utt
LeCompte	Philbin	Vanik
Lesinski	Phillips	Van Pelt
Lipscomb	Pilcher	Vorys
McCarthy	Pillion	Walter
McDonough	Poage	Watts
McDowell	Poff	Weaver
McVey	Price	Wharton
Macdonald	Prouty	Whitten
Mack, Wash.	Quigley	Wigglesworth
Madden	Rabaut	Williams, N. J.
Magnuson	Ray	Willis
Matthews	Rhodes, Pa.	Wilson, Ind.
Metcalf	Riehlman	Winstead
Miller, Calif.	Robeson, Va.	Wolcott
Miller, Nebr.	Rodino	Wright
Miller, N. Y.	Roosevelt	Yates
Minshall	St. George	Zablocki
Mollohan	Saylor	Zelenko
Morgan	Sheppard	

NAYS—153

Alexander	George	O'Brien, N. Y.
Allen, Calif.	Grant	O'Neill
Allen, Ill.	Gwinn	Osmer
Andrews	Hale	Patterson
Arands	Haley	Pelly
Beamer	Halleck	Polk
Belcher	Harden	Radwan
Bennett, Fla.	Harris	Rains
Bennett, Mich.	Harvey	Reece, Tenn.
Berry	Hays, Ark.	Rees, Kans.
Blatnik	Healey	Reuss
Blitch	Herlong	Roberts
Bonner	Hill	Robson, Ky.
Bow	Hillings	Rogers, Colo.
Broyhill	Hinshaw	Rogers, Fla.
Bush	Horan	Rogers, Mass.
Carlyle	Huddleston	Rogers, Tex.
Carrigg	Hyde	Rooney
Chenoweth	Ikard	Sadlak
Cole	Jackson	Schenck
Colmer	Jarman	Scherer
Corbett	Johnson, Calif.	Schwengel
Coudert	Jones, Ala.	Scott
Cretella	Jones, N. C.	Scrivner
Crumpacker	Kearns	Seely-Brown
Cunningham	Keogh	Selden
Dague	Kilburn	Short
Davis, Ga.	Kilday	Shuford
Dempsey	Kilgore	Sieminski
Derounian	King, Calif.	Simpson, Pa.
Devereux	Klein	Springer
Dixon	Krueger	Staggers
Dodd	Lankford	Steed
Dollinger	Lovre	Teague, Calif.
Dolliver	McConnell	Teague, Tex.
Dondero	McCulloch	Thompson, Tex.
Donohue	McGregor	Thomson, Wyo.
Dorn, S. C.	McIntire	Trimble
Durham	Machrowicz	Van Zandt
Elliott	Mack, Ill.	Velde
Fallon	Mahon	Wainwright
Fascell	Mailliard	Westland
Fenton	Marshall	Widnall
Fernandez	Martin	Wier
Fisher	Meador	Williams, Miss.
Flynt	Merrow	Williams, N. Y.
Fogarty	Miller, Md.	Wilson, Calif.
Friedel	Mills	Withrow
Fulton	Morano	Wolverton
Gamble	Murray, Ill.	Young
Gavin	Norrell	Younger

ANSWERED "PRESENT"—1

Hand

NOT VOTING—83

Abbitt	Brownson	Deane
Adair	Buckley	Dies
Anfuso	Burdick	Diggs
Bailey	Burleson	Dowdy
Baker	Carnahan	Eberhart
Barden	Celler	Forrester
Bass, Tenn.	Chase	Gordon
Baumhart	Chatham	Hébert
Bell	Chiperfield	Hess
Bowler	Christopher	Hoffman, Ill.
Boykin	Clevenger	Hope
Brooks, La.	Davis, Wis.	Hosmer
Brooks, Tex.	Dawson, Ill.	James

Jensen	Nelson	Shelley
Johansen	O'Hara, Minn.	Siler
Kearney	Passman	Smith, Kans.
Kee	Patman	Smith, Va.
Kelley, Pa.	Powell	Smith, Wis.
Kelly, N. Y.	Preston	Taylor
King, Pa.	Priest	Thompson, La.
Kirwan	Reed, N. Y.	Thompson, Mich.
Kluczynski	Rhodes, Ariz.	Thornberry
Lane	Richards	Tuck
Long	Riley	Vinson
McCormack	Rivers	Vursell
McMillan	Rutherford	Wickersham
Mason	Scudder	
Morrison	Sheehan	

So the motion to recommit was agreed to.

The Clerk announced the following pairs:

On this vote:

Mr. Hoffman of Illinois for, with Mr. Hess against.

Until further notice:

Mr. Hébert with Mr. Taylor.

Mr. Thompson of Louisiana with Mr. Clevenger.

Mr. Passman with Mr. Adair.

Mr. Brooks of Louisiana with Mr. Kearney.

Mr. Tuck with Mr. Vursell.

Mr. Smith of Virginia with Mr. Siler.

Mr. Abbitt with Mr. Davis of Wisconsin.

Mr. Morrison with Mr. Baker.

Mr. Patman with Mr. Reed of New York.

Mr. Bell with Mr. O'Hara of Minnesota.

Mr. Dowdy with Mr. Mason.

Mr. Burleson with Mr. Chiperfield.

Mr. Bailey with Mr. Baumhart.

Mr. Rutherford with Mrs. Thompson of Michigan.

Mr. Thornberry with Mr. Smith of Kansas.

Mr. Vinson with Mr. Rhodes of Arizona.

Mr. Forrester with Mr. Nelson.

Mr. Preston with Mr. Chase.

Mr. Gordon with Mr. Burdick.

Mr. Kelley of Pennsylvania with Mr. Hope.

Mrs. Kelly of New York with Mr. Hosmer.

Mr. Kirwan with Mr. James.

Mr. Dies with Mr. Smith of Wisconsin.

Mr. Brooks of Texas with Mr. Scudder.

Mr. Kluczynski with Mr. Sheehan.

Mr. Riley with Mr. Jensen.

Mr. Powell with Mr. Johansen.

Mr. Carnahan with Mr. King of Pennsylvania.

Mr. Anfuso with Mr. Brownson.

Mrs. BLITCH and Messrs. FERNANDEZ, BONNER, and WILSON of California changed their vote from "yea" to "nay."

Messrs. MATTHEWS and WATTS changed their vote from "nay" to "yea." The result of the vote was announced as above recorded.

Mr. KILDAY. Mr. Speaker, I ask unanimous consent to take from the Speaker's desk the bill (H. R. 12270) to authorize certain construction at military installations, and for other purposes, with Senate amendments thereto, and concur in the Senate amendments.

The Clerk read the title of the bill.

The Clerk read the Senate amendments, as follows:

Page 33, line 10, strike out "\$37,760,000" and insert "\$21,510,000."

Page 71, line 1, strike out "419" and insert "420."

Page 71, line 24, strike out "420" and insert "421."

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

Then Senate amendments were concurred in.

A motion to reconsider was laid on the table.



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No. 131

Senate

NOTICE

The last issue of the daily Congressional Record for the second session of the Eighty-fourth Congress will be published not later than Monday, August 20, 1956. It is requested that copy and proofs of speeches withheld for revision, or extensions of remarks as authorized by either House, be submitted to the Government Printing Office or to the Congressional Record Clerk, Statuary Hall, Capitol, before that date.

By order of the Joint Committee on Printing.

CARL HAYDEN, Chairman.

[Senate proceedings of July 27, 1956]

THE PANAMA CONFERENCE—A NEW ERA IN INTER-AMERICAN RELATIONS

Mr. SMATHERS. Mr. President, as we all know, the chiefs of state of the American Republics met at a unique and highly publicized conference in Panama. The occasion was the anniversary of the Panama Congress, convoked by Bolivar in 1826. One hundred and thirty years ago Bolivar envisioned a vast league of the newly independent American nations, based on sovereign equality, and pledged to the peaceful settlement of their conflicts and to mutual defense. The present Organization of American States, the oldest continuous international body, owes its origin and inspiration to the ideas Bolivar outlined at Panama.

The assemblage of 19 chief executives, the largest of its kind in history, was certainly an impressive tribute to the pan-American ideals of Bolivar. And behind those men last week in Panama stood more than 300 million people, united in their determination to defend their freedom against any adversary. Moreover, the meeting had far-reaching implications beyond the narrow confines of the Western Hemisphere. The spectacle of many nations, small and large, of diverse languages, religions, cultures, and strengths, but working together as sovereign equals, was a vivid

demonstration of the possibilities of mutual cooperation among free nations.

I was glad President Eisenhower could attend the historic conclave for it was fitting that the Chief Executive of the more than 160 million English-speaking members of the Organization of American States should take his place alongside his Latin American counterparts. From all reports, President Eisenhower was accorded a rousing reception by the people of Panama; so much so, in fact, that the security measures for his protection almost broke down under the pressure of the enthusiastic crowds.

But more developed at the weekend in Panama than the happy proof that the Panamanian people warmly welcomed the President of the United States. The uncertainty which attended preparations for the meeting and its lack of formal agenda led many to believe that the American nations were going to indulge merely in some ceremonial handshakes and timeworn cliches. The handshakes were there, of course, and the eloquent declamations were there.

The President of the United States, in a moving speech, gave a positive emphasis to the inter-American system. He said:

The destiny of America is to create a civilization that will give tangible meaning to the concept of human liberty, to the principle that the state is the servant of man and not his master, to the faith that man will reach ever greater heights in his spiritual and material development and to the prop-

osition that all nations can live together in peace and dignity.

The full realization of the destiny of America is inseparable from the economic and social development of its peoples and therefore makes necessary the intensification of national and inter-American cooperative efforts to seek the solution of economic problems and to raise the standards of living of the continent.

The President then concluded by saying:

Our organization can never be static. We are here to commemorate a dynamic concept initiated at the first inter-American conference in 1826 convoked by Simón Bolívar. We here pay tribute to the faith of our fathers, which was translated into new institutions and new works. But we cannot go on forever merely on the momentum of their faith. We, too, must have our faith and see that it is translated into works.

My own sentiments regarding close economic and social cooperation with our sister American Republics, I believe, are well known. On numerous occasions in the past I have risen to urge action in creating a positive program in Latin America, over and beyond the vital mutual defense system we now possess. It has long been my conviction that the Americas working together could and must demonstrate to the world how free nations can tackle problems that communism promises to relieve. We have in fact a unique opportunity to show once again the visionary idealism, the boldness, the originality that gave America its special attraction in epochs past. Latin America and the United States together could show the world a new dimension in international cooperation.

The Senate, I believe, shares my conviction. In the last few years each time the Department of State presented us with a meager program for Latin America, a token gesture, the Senate has augmented its request by adopting amendments offered by me. In 1954 Congress approved an amendment I introduced to hike our technical assistance program in the 20 Republics from \$23.5 to \$44.5 million—\$10 million over the administration request. Likewise, in 1955, we managed to earmark \$17 million more for Latin America out of a contingent fund

where it would never have found its way south of the Rio Grande considering the cool attitude of the Department of State toward assisting the American Republics. Again this year, I introduced an amendment to the Mutual Security Act to increase aid to Latin America to promote health, education, and sanitation in the region. Congress responded with a \$15 million increase over the State Department request.

The intent of the Congress has been apparent by its willingness to support a more substantial program in Latin America. This was evidenced by the fact that on several occasions it overwhelmingly voted appropriations for Latin American assistance over and above funds requested by the administration. Yet by inertia, inability, or unwillingness, the State Department continued its policy of relegating Latin American affairs to the bottom of the pile. In the past, every time I discussed our Latin American program with the Under Secretary of State, or his staff, I met with the same answer, "Our program is adequate and if additional funds are appropriated no plans are developed to give effect to the intent of Congress."

It is quite obvious that the thinking and desire of the President of the United States has at least in the past been at variance with those of his subordinates who carry out our foreign policy in Latin America, for his recent statements at the Conference in Panama clearly indicate a call for effective action in further promoting and implementing our "good neighbor" relations. I hopefully trust that the President will be able to instill in the minds of his subordinates the sincerity of his convictions so that their views will now coincide with his own. If he can convince the State Department of his sincere objectives, great strides can be made toward giving a meaningful effect to our good neighbor policy, for as we all know Latin America is extremely important to us from the standpoint of trade, strategy, and raw materials, and we, of course, on the other hand are equally important to that region. In helping this area in their economic difficulties, we unquestionably help ourselves.

I am, of course, delighted to find that the President has rediscovered America. But I was disappointed by his "concrete" suggestions that he brought forth at Panama to implement his plan. His recommendation to examine the hemisphere possibilities to utilize nuclear power for industry and to combat disease is indeed meritorious. However, the press has lauded his suggestion to form a new council of special representatives to, quoting the President, "join in preparing for us concrete recommendations for making our organization of American States a more effective instrument in those fields of cooperative effort that affect the individual." To these representatives he continues, "We could look for practical suggestions in the economic, financial, social, and technical fields which our organization might appropriately adopt."

Anyone who has followed the development of our Latin American policy knows that we already have a plethora

of such studies and suggestions. Among the more notable is the report of Milton Eisenhower, himself, after his factfinding trip over the region; the report of the International Development Advisory Board entitled "An Economic Program for the Americas"; the report of the Joint Brazilian—United States Commission; studies by the Pan American Sanitary Bureau; numerous reports by the UN Economic Commission for Latin America; or if you prefer to keep the UN out of the regional undertaking, there is the Organization of American States' own Economic and Social Council, firmly established at Bogota in 1948 after its provisional establishment at Chapultepec in 1945. Ironically, the predecessor to the Economic and Social Council of the OAS, known as the Financial and Economic Advisory Committee, was created in 1939 by the First Conference of Ministers of Foreign Affairs of the American Republics in Panama.

Obviously, the idea of creating still another advisory group to study the problems of Latin America provides hardly a ray of hope in helping this area solve its economic difficulties. What is needed instead is a firm determination, coupled with effective and specific programs—many of which have already been suggested by some of the already established agencies now and for a long time operating in this field. There are already recommendations on combating malaria, leprosy, and many other tropical diseases, as well as specific programs for sanitation, for highways, for schools. But the State Department will not, and does not, approve of any of these programs, so that nothing of a practical nature is done.

I'm sure all people of Latin America and those interested in them hope that the President will instruct the State Department to present to the Congress next session some realistic, practical plans for Latin America.

EXPRESSION OF APPRECIATION TO THE CHAIRMAN AND RANKING MINORITY MEMBER OF THE APPROPRIATIONS COMMITTEE

Mr. THYE. Mr. President, I do not wish this session to come to a close without paying a tribute to the chairman of the Appropriations Committee, the distinguished senior Senator from Arizona [Mr. HAYDEN]; and to the ranking minority member of the committee, the distinguished senior Senator from New Hampshire [Mr. BRIDGES]. Those two Senators not only organized the Appropriations Committee, but they have carried through the most orderly method of conducting the Appropriations Committee session I have witnessed during all my experience on the Appropriations Committee. I commend the distinguished chairman [Mr. HAYDEN] for an excellent job.

FLOOD INSURANCE—STATEMENT BY SENATOR BUSH

Mr. BUSH. Mr. President, I ask unanimous consent to have printed in the RECORD a statement which I have

prepared in connection with the flood-insurance conference report, the housing report, and other events of the day.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

STATEMENT OF SENATOR BUSH

The adjournment of the 84th Congress is a landmark in the period since President Eisenhower took office—a period of progress and unparalleled peacetime prosperity.

This session of Congress, like its predecessors, has taken actions which will have a profound effect upon the lives of the people of Connecticut and the future economic development of our State.

There have been improvements in the social-security system, and elsewhere in the field of health, education, and welfare. Legislation has been adopted for greater protection of our people against the hazards of hurricanes and floods. A highway program, largest in the history of America, has been started which will bring a new era of safe and rapid travel and expansion of business opportunities in our State, as in others. Slum clearance and urban renewal have taken a new lease on life in our communities.

In all of these advances, I have been privileged to play a part.

While this Congress has made a good record in some respects, there have been distressing failures as well. It has failed to implement President Eisenhower's forward-looking recommendations in many fields, notably civil rights, aid for school construction, and for reform of the McCarran-Walter Immigration Act.

It has taken some actions, such as the geographical dispersal amendment to the Defense Production Act, which, if not carefully held in check by wise administrative judgment, could have detrimental effects upon the future economic well-being of our State. There is a desire on the part of some Members of Congress from the South and Southwest to use Federal tax funds and governmental machinery to stimulate the growth of their regions at the expense of the long-established industrial areas, such as New England. Connecticut must remain vigilant against such maneuvers, always pressed in a Democratic-controlled Congress because Southern Democrats hold the key positions of power.

A disturbing development in this session was evidence of a breakdown in the spirit of nonpartisanship in the field of foreign affairs—a spirit which has been symbolized by the close cooperation between President Eisenhower and the distinguished Democratic chairman of the Senate Committee on Foreign Relations, Senator GEORGE, of Georgia. Some Members of the Congress on both sides of the aisles have allowed their hatred and distrust of communism, feelings shared by all Americans worthy of the name, to lead them into expressing a lack of confidence in these two men whose experience in the intricacies of our foreign relations is unmatched and whose patriotism and devotion to the long-range interests of the United States is above question.

I am deeply appreciative for the cooperation I have received during these years from State and municipal officials, whether under Republican or Democratic administrations, in seeking solutions to the problems which have arisen. As a Senator, I have felt it my duty to give my fullest assistance to all elected officials in our State whenever matters are involved affecting the well-being of the people we represent. Without this mutual cooperation, our rapid recovery from the flood disasters of 1955 would not have been possible, nor could we have obtained the urban renewal programs in our cities and the beneficial provisions of the highway legislation directly affecting Connecticut's own roadbuilding program.

These past few years have been a deeply rewarding experience. I shall always be grateful to the people of Connecticut for having given me this opportunity to serve them. Within a few short weeks they will have the opportunity to review my record and the record of the Eisenhower administration, which I have supported and assisted fully. Should they approve, I shall count it an honor and privilege to have the opportunity to serve them again.

This has been a great day for the people of Connecticut and New England generally, and for the people of other areas exposed to the hazards of hurricanes and floods.

In the final day of the 84th Congress, we have enacted legislation which—

(1) provides a 5-year experimental program of Federal flood insurance;

(2) appropriates \$2 million to expedite the construction of small, but urgently needed local flood protective works under the terms of the Bush-McCormack Act.

(3) makes possible additional flood protection for Connecticut by authorizing the construction of flood control dams and reservoirs at Torrington and Winsted, Conn., and Littleville, Mass.

(4) permits faster Federal urban renewal assistance to disaster areas;

(5) increases FHA insurance for disaster mortgages from \$7,000 to \$12,000;

(6) permits continuation of the work of protection and improvement of our harbors and coastal areas, stimulated by the Bush Hurricane Survey Act of last year and prior authorizations, by authorizing the construction of the Bridgeport Harbor project and Federal participation in beach erosion control in the New Haven-Guilford area.

Additional restoration of eroded beaches will be made possible in the future by our enactment earlier this year of legislation permitting Federal assistance in this work on privately owned beaches in circumstances when a public benefit is involved.

I am grateful to my distinguished colleague from Connecticut Senator PURTELL, and to the Members of our House delegation who have given encouragement and support in these endeavors, introducing, in many league from Connecticut, Senator PURTELL, cases, companion measures to bills I drafted. I express my appreciation also to my colleagues on the Committees on Public Works and Banking and Currency of the Senate, for their support of this legislation, to members of the Appropriations Committee, whose response to our requests for flood control funds has been most generous, and to the distinguished Senators from Texas [Mr. JOHNSON] and California [Mr. KNOWLAND] for their assistance in scheduling the bills for prompt consideration.

COMMITTEE TO NOTIFY THE PRESIDENT

On motion of Mr. JOHNSON of Texas, and by unanimous consent, it was

Ordered, That a committee of two Senators be appointed by the Presiding Officer to join a similar committee of the House of Representatives to notify the President of the United States that the two Houses have completed the business of the session and are ready to adjourn unless he has some further communication to make to them.

The VICE PRESIDENT appointed Mr. JOHNSON of Texas and Mr. KNOWLAND members of the committee on the part of the Senate.

FAREWELL TO RETIRING SENATORS

Mr. JOHNSON of Texas. Mr. President, we are reaching the point of ad-

journment sine die—the point of no return insofar as this session of the Senate is concerned.

As always, most of us have a sentimental lump in our throats as we think of our friends who we shall not see for many months. There are some who will leave at the end of this session and who will not be with us when we reconvene in January.

On that list are two of the greatest statesmen of our times—the senior Senator from Georgia and the senior Senator from Colorado. Both are retiring voluntarily after a lifetime of eminent service to our country.

I think the members of this Senate already know how I feel personally about those two great statesmen. Senator GEORGE and Senator MILLIKIN are to me an inspiration for all who love their country and who rest secure in the confident belief that there are men of great intellect and men of great patriotism to steer us through the troubled waters.

I merely at this point want to say not good-bye, but farewell until we meet again.

There are others who are leaving us. There is the junior Senator from Kentucky, ROBERT HUMPHREYS. It has not been my good fortune to boast of a long acquaintance with him. But in the period that he has been here, I have formed for him an attachment that amounts to deep friendship.

He entered the Senate to take over the seat held by our late and dearly beloved colleague, Alben W. Barkley. Senator Barkley was a man of towering eminence and to follow him would be a difficult and exacting assignment for any man.

I think it is a measure of the junior Senator from Kentucky that he discharged his responsibility ably and in the finest traditions of his State.

Another one who is leaving us is the junior Senator from West Virginia, WILLIAM R. LAIRD III. Young, alert, and aggressive, he has been a splendid Senator, cooperating with the leadership and making a genuine contribution to the deliberations of this great body.

I predict that Senator LAIRD is a man destined to go far in the field of public service. We shall hear more from him.

Finally, there is the junior Senator from South Carolina, THOMAS A. WOFFORD.

He, too, came into the Senate on short notice during the hectic days when we were engaged in the heaviest volume of business in the session. The people of South Carolina can be very proud of Senator WOFFORD and the dignity and effectiveness with which he has conducted himself.

Here, now, before the session adjourns I want to say to all of these men farewell, good luck, and I hope we will all meet again. [Applause.]

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Bartlett, one of its clerks, announced that the House had agreed to the report of the committee of conference on the disagreeing votes of the two Houses on the amendment of

the House to the bill (S. 3732) to provide insurance against flood damage, and for other purposes.

The message also announced that the House had agreed to the report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H. R. 11742) to extend and amend laws relating to the provision and improvement of housing and the conservation and development of urban communities, and for other purposes.

CLOSING REMARKS OF SENATOR LYNDON B. JOHNSON TO THE SENATE

Mr. JOHNSON of Texas. Mr. President, the last hour of the 84th Congress is here.

All of us, I think, greet it with a variety of emotions.

There is, of course, a feeling of relief—relief that the days and the nights of hard work and hard decision have come to an end, at least for a while.

There is also a touch of sadness: sadness that we have not accomplished more, and sadness in different ways for each of us that things we wanted to do could not be done.

But in this final hour there is time to speak of one emotion which at such a time as this lies close to the hearts of all. It is fitting to speak of it now.

I speak of friendship—the warm friendship that has been forged through our days together here on the floor.

The Members of this body and the people who aid us have a sense of identity rarely equaled in any institution in the world. The existence of this identity transcends politics. It cuts across party and regional lines. Men from all sections of our country from coast to coast, from north to south, assemble here on this floor and under the impetus of a common work and a common goal become as one.

Those who watch our activities have often attempted to grasp at the essence of this sense of identity which they sense but cannot define. Usually they take refuge in a stereotyped phrase such as "the most exclusive club in the world." And in using such a phrase as that they lose entirely the meaning of this institution, which is truly the greatest deliberative body the world has ever known.

As the majority leader of the Senate I know now as I stand here how very, very much I personally owe to every Senator and to those who are associated with the Senate. In the days and the nights of work, in the long hours associated with the management problems of the leadership, I have forgotten that. I do not forget it now. To all of you who I know have felt impatience at my impatience I can say only that I ask your forgiveness.

Most of the time I know—even though occasionally I have forgotten—that the leadership is an impossible task without your friendship and without your cooperation. I cannot say what is in my heart tonight about this friendship. I can express only in a more inadequate manner my knowledge of how much you

all have done for me and how deeply grateful I am.

And now I turn, as every day and almost every hour I have turned, to my friend across the aisle. No majority leader can be effective without the friendship and, above all, the understanding of the minority leader.

Senator KNOWLAND, you have made me a fortunate man.

In selecting you to lead them, your colleagues have placed me in their debt, just as they owe that same debt to you. Words can be debased, just like coins, by overusage. One of the most abused words in the English language is the word "integrity" because it is so often applied by people who do not know its meaning to so many little men.

Yet there is no other single word which so describes Senator WILLIAM KNOWLAND. [Applause.] And when I use it tonight I know full well that to those outside the Senate it is just another word. But every man on this floor tonight knows and understands its special meaning when I say that integrity in its simplest and purest meaning is the only fitting way to describe the character of the minority leader.

It is hardly unusual for BILL KNOWLAND and me to disagree on the issues of the day but it is impossible for me ever to take exception to his honor. In all the years I have known him never once has he gone back on his word. My relationship with him is not merely the friendly, formal relationship of men who by circumstance happen to occupy positions where they must deal with each other daily so that the business of this great parliament can be done.

I will be his friend at any time and under any set of circumstances. He is a man who makes us all proud that we are men and who fills us with hope for the future of men.

And now I come back to my own side of the aisle to speak of my good right hand, the senior Senator from Kentucky, EARLE CLEMENTS, the greatest of all the whips. [Applause.]

This able, this effective leader enjoys the confidence and has the admiration of all of us. He is quiet, he is gentle, and all of us can bear witness he is most persuasive. This gentle gentleman from a State of great gentlemen, great politicians, and great statesmen is deserving of all the praise all of us could heap upon his shoulders. And curiously enough, it would embarrass him more than anyone else I know. For here is a modest man, modest in his own evaluation of his great talents. I do not think my colleagues will take offense if I say that modesty is a rare quality.

The truth is that only EARLE CLEMENTS and I know how much he has done for his majority leader. I know it better than he. His comrades at arms will welcome him back to us next January.

My friends, I am tempted to call the roll and after each name tell you of my gratitude to every one of you. But the hour is late, we are tired in body and in mind, and I will spare you this last duty of listening to the majority leader once more.

Instead, I want to mention just briefly those who rarely receive the praise and

never receive the rewards for their devotion to the Senate.

There is our distinguished and gracious Secretary of the Senate, Felton Johnston. "Skeeter" Johnston has been for so many years a part of this Chamber that he has become, in fact, even if not in title, "the 97th Senator." The State of Mississippi has sent many great men to the Nation's Capitol; it has in its time produced great Americans and the name of Felton Johnston is on Mississippi's roll of honor.

There is the Chaplain of the Senate, the Reverend Frederick B. Harris, who serves our spiritual needs. To serve our corporeal needs there is Dr. George W. Calver and his staff, and here I want to send for all of us a special word of thanks after Dr. R. W. Gifford, who has recently left us.

And now—Bobby Baker. I know I should refer to him formally as secretary to the majority, but my tongue, even as my heart, says "Bobby" instead. His quick intelligence, his tremendous fund of knowledge about the Senate, which is almost appalling in one so young, has kept the machinery on this side of the aisle working with smooth precision. Always present, always alert, and, more than anything else, always understanding and persuasive with his wise counsel, I say to all of you here tonight that here, indeed, is a young man of rare and real promise.

He is ably assisted, too, by Jessop McDonnell, who has come a long way in a short time.

I hope you will indulge me if I say a special word of thanks to the counsel of the majority policy committee, Gerald Siegel. He knows that I will express my appreciation of gratitude in a more personal way and at a more private time but I cannot let this moment go by without a public expression of this somewhat private debt. But above and beyond his service to me he has served the Senate well. His encyclopedic knowledge of the legislation before us has made the difference, more times than any of us can count, between a good bill and a bad bill. This body owes him much.

Will my colleagues forgive me if I trespass for a moment on their side of the aisle? Even one who sits here can remark upon how ably they have been served by their own people. It is, however, not my function to tell you this and I speak only of the courtesies and the kindnesses and the help and cooperation which they have properly given to us of the majority. I speak of Mark Trice, secretary to the minority. I speak also of Bill Reed and of Don Pierre and of Bill Brown Rigg.

I sometimes think that were the temper of this body to change and were open warfare to exist between us, the minority could reduce the majority to impotence almost overnight by telling this handful of four men "just don't cooperate." This I know would never happen and I am happy in expressing to them our heartfelt thanks.

Our thanks go to Sergeant at Arms Joseph C. Duke, the indispensable man from Arizona and his deputy, Robert G. Dumphy. They carry heavy responsibilities and all of us are safer and better

cared for because they discharge those responsibilities so ably.

There is Charles L. Watkins, the Senate Parliamentarian, who frequently is the only man who knows where the Senate is and where it is going, and his assistant, Floyd M. Riddick. Without them, we would frequently be powerless to move.

There is Emory L. Frazier, our Chief Clerk, a storehouse of knowledge who probably knows more about the traditions of the Senate than any other living man.

All of us are deeply grateful to Edward J. Hickey, the Journal clerk, and Edward E. Mansur, the legislative clerk. Their duties are important; their rewards are few. But their service is always faithful.

These are the men with whom we are in daily contact on the floor. But off the floor there is a vast corps of hard workers. There is no way of thanking these men adequately. It is difficult to do more than list their names.

I am referring to men like Lewis W. Bailey, executive clerk of the Senate; William H. Wannall, the printing clerk, and his assistant, William A. Ridgley; the large corps of official reporters presided over by James W. Murphy, of whom we spoke yesterday; the superintendent of the document room, Theron W. Marshall; and the librarian, Richard D. Hupman.

In the press galleries are the very able staffs headed by Joe Wills, Bill Perry, and Harold McGrath. As we all know, Harold is retiring this session, and we will all miss him.

I would like to say one final word about the Metropolitan Police detail, headed by Capt. Mike Dowd. Mike is the witty, beguiling son of Erin who can rightfully claim every Member as a personal—and charmed—friend.

Mike and his detail are on the job whenever the Senate is in session. And they ably supplement the corps of Capitol police headed by the distinguished Robert C. Pearce.

I must cut the rollcall short. I cannot go down the long list of committee staffs and the many upstanding Americans who play such an important role in the legislative process.

At this hour it is hard to sum up what I have been trying to say. There are, I know, many ways of doing it. Many men have tried before me and most have been successful. There should be an easy way but I have none. At this moment—and for this moment only—I wish I were an admiral and not a Senator. Because then I would merely have to give the traditional order, which is the highest praise of the Navy—"Break out the signals and fly 'well done'."

But I am not an admiral; I am a Senator. All I can say is thanks—thanks to everyone for a job well done.

[Applause, Senators rising.]

Mr. KNOWLAND. Mr. President, I do not wish this occasion to pass without rising and paying tribute to LYNDON JOHNSON who, I believe, will go down in the history as one of the great leaders of the Senate. I have had the opportunity of working with Senator JOHNSON as closely as any other man in the Senate,

July 27, 1956

Oreg. This bill will now be sent to the President. An identical bill, H. R. 7726, was laid on the table. p. 13824

Passed without amendment S. 3227, to authorize the Little Wood River project, Idaho. This bill will now be sent to the President. Earlier in the day agreed to a resolution for consideration of H. R. 7850, a companion bill, which was then laid on the table. pp. 13837, 13910

10. REPORTS were received from the Government Operations Committee as follows:
Civil Defense and National Survival (H. Rept. 2946)
Availability of information from departments and agencies (H. Rept. 2947)
Improper use of Government equipment and personnel (H. Rept. 2948)
Federal role in aviation (H. Rept. 2949)
Purchase-resale transactions of Commodity Credit Corp. (H. Rept. 2952)
Operations of Federal Bureau of Public Roads (H. Rept. 2953). p. 13959

SENATE

11. MUTUAL SECURITY APPROPRIATION BILL, 1957. Agreed to the conference report on this bill, H. R. 12130. This bill will now be sent to the President. Sen. Hayden inserted a table showing the amounts in the bill as passed by the House and Senate and as agreed to in conference. p. 13788
12. APPROPRIATIONS. Sen. Hayden inserted a table reflecting the action of the House and Senate on the regular and supplemental appropriation bills in the 2nd session of the 84th Congress. p. 13790
Both Houses received and
13. FLOOD CONTROL. / agreed to the conference report on H. R. 12080, the omnibus Army flood control bill. This bill will now be sent to the President. p. 13777
14. HOUSING. Both Houses agreed to the conference report on H. R. 11742, to extend and amend housing laws, including farm housing provisions. This bill will now be sent to the President. pp. 13782, 13854, 13925
15. FLOOD INSURANCE. Both Houses ^{received and} agreed to the conference report on S. 3732, to provide insurance against flood damage. This bill will now be sent to the President. pp. 13788, 13934, 13872
16. SOCIAL SECURITY. Agreed to the conference report on H. R. 7225, the social security bill. This bill will now be sent to the President. p. 13791
17. FISHERIES; WILDLIFE. Agreed to the conference report on S. 3275, the fisheries-wildlife bill (see item 4 above). This bill will now be sent to the President. p. 13637
18. FARM LABOR. Passed with amendment H. R. 6888, providing for admission into the U. S. of certain aliens skilled in sheepherding. p. 13680
19. PROPERTY; TAXATION. Debated, but did not take final action on, S. 4183, to authorize payment to local governments of sums in lieu of taxes and special assessments with respect to certain Federal real property. pp. 13712, 13718, 13731, 13733, 13735, 13743, 13762
20. LAND TRANSFER. Agreed to the House amendment to S. 2585, authorizing exchange of land at the Beltsville Research Center. The amendment exempts the Coneross watershed project, S. C., from congressional review. This bill will now be sent to the President. p. 13709
Passed without amendment H. R. 9640, to require the Secretary of Agricul-

ture to release certain restrictions on the real property heretofore conveyed to the West Marks Baptist Church of Quitman, Miss. This bill will now be sent to the President. p. 13725

21. POINT-OF-ORDER BILL. Passed without amendment H. R. 11682, providing permanent legislation for various provisions heretofore authorized by appropriation acts, authorizing a Forest Service working capital fund, etc. This bill will now be sent to the President. p. 13636
22. POULTRY INSPECTION. Sen. Murray spoke in favor of mandatory poultry inspection and inserted a magazine article on this subject. p. 13628
Sen. Morse spoke in favor of such inspection and inserted an article on the matter. p. 13896
23. ELECTRIFICATION; and Sen. Neuberger
RECLAMATION. Sen. Morse inserted articles favoring the Hells Canyon Dam. pp. 13897, 13625
24. FARM PROGRAM. Sen. Martin, Iowa, praised the Administration's farm policies and inserted his statement, "Fifty Facts for Farmers." p. 13773
25. PERSONNEL. Agreed to a concurrent resolution to correct certain clerical errors in H. R. 7619, the executive pay and retirement bill. p. 13775
26. EXPENDITURES; PERSONNEL. Sen. Byrd submitted the report of the Joint Committee on Reduction of Nonessential Federal Expenditures on Federal employment and pay for June. p. 13617
27. MINING CLAIMS. Concurred in the House amendments to S. 3941, relating to certain mining claims which were eligible for validation under the act of Aug. 12, 1953, but which were not validated solely because of failure of the owners to take certain action to protect their claims within the prescribed period. This bill will now be sent to the President. p. 13743
28. SURPLUS COMMODITIES. Sen. Stennis commended the program of using foreign currencies received from the sale of surplus agricultural commodities in the construction of foreign military family housing, and suggested the possibility of enlarging the program. p. 13709
29. MONOPOLIES. The Judiciary Committee reported with amendments H. R. 9424, to amend the Clayton Act by requiring prior notification of corporate mergers (S. Rept. 2817). p. 13616
The Small Business Committee submitted its report on the study of fair trade (S. Rept. 2819). p. 13617
30. BUDGET BUREAU. Both Houses passed without amendment S. J. Res. 199, to authorize an additional position of Assistant Director of the Bureau of the Budget (pp. 13734, 13937). This joint resolution had been reported by the Senate Post Office and Civil Service Committee without amendment earlier in the day (S. Rept. 2824)(p. 13616). This measure will now be sent to the President.
31. ELECTRIFICATION. Sen. Humphrey inserted a statement and commented on the extent of the Government's investment in hydroelectric public power. p. 13757
32. COTTON. Sen. Stennis inserted his statement concerning the problem of cotton textile imports. p. 13710

FEDERAL FLOOD INSURANCE

JULY 27, 1956.—Ordered to be printed

Mr. SPENCE, from the committee of conference, submitted the following

CONFERENCE REPORT

[To accompany S. 3732]

The committee of conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 3732) to provide insurance against flood damage, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its disagreement to the amendment of the House and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the House amendment insert the following: *That this Act may be cited as the "Federal Flood Insurance Act of 1956"*.

FINDINGS AND DECLARATION OF PURPOSE

SEC. 2. (a) *The Congress finds that in the case of recurring natural disasters, including recurring floods, insurance protection against individual and public loss is not always practically available through private or public sources. With specific reference to insurance against flood loss, the Congress finds that insurance against certain losses resulting from this peril is not so available. Since preventive and protective means and structures against the effects of these disasters can never wholly anticipate the geographic incidence and infinite variety of the destructive aspects of these forces, the Congress finds that the safeguards of insurance are a necessary adjunct of preventive and protective means and structures.*

Inasmuch as these disasters impede interstate and foreign commerce, hamper national defense, and cause widespread distress and hardship adversely affecting the general welfare, without regard to State boundary lines, and in the absence of insurance protection from private or public sources, the Congress ought to provide for such protection in the case of flood, and study the feasibility and need for similar programs in the case of other forms of natural disaster against which insurance protection is not generally and practically available in all geographical areas.

(b) (1) *It is the purpose of this Act to authorize the establishment of a program of Federal insurance and reinsurance against the risks of loss resulting from flood as hereinafter defined, and to require a study and report on insurance and reinsurance against still other natural disaster perils to the extent that such insurance or reinsurance is not available on reasonable terms and conditions from other public or private sources; and*

(2) *It is the further purpose of this Act to encourage private insurance companies to write insurance covering the extent of the risks above the limits prescribed in section 10 (a) and to provide Federal reinsurance to the extent desirable and necessary to carry out this purpose.*

(3) *It is the further purpose of this Act to authorize the establishment of a program of loans, and a program combining insurance and loans, to assist flood victims who have entered into contracts with the Administrator under this Act.*

ADMINISTRATION

SEC. 3. (a) *To assist in carrying out the functions, powers, and duties vested in him by this Act, the Administrator may appoint a Commissioner, and the basic rate of compensation of such position shall be the same as the basic rate of compensation established for the Commissioners of the constituents of the Housing and Home Finance Agency.*

(b) *The provisions of the Government Corporation Control Act, as amended, shall apply to the functions vested in the Administrator by this Act, to the same extent as applicable to wholly owned Government corporations.*

(c) *In the performance of, and with respect to, the functions, powers, and duties vested in him by this Act, the Administrator, notwithstanding the provisions of any other law, shall maintain an integral set of accounts which shall be audited annually by the General Accounting Office in accordance with the principles and procedures applicable to commercial transactions as provided by the Government Corporation Control Act, as amended, and no other audit shall be required: Provided, That such financial transactions of the Administrator as the issuing of insurance policies, the making of reinsurance agreements, and the making and guaranteeing of loans, and vouchers approved by the Administrator in connection with such financial transactions, shall be final and conclusive upon all officers of the Government.*

AUTHORITY TO INSURE AND REINSURE

SEC. 4. *To aid in carrying out the purposes of this Act, the Administrator is authorized to provide, upon such terms and conditions (including coinsurance requirements) as he may establish, insurance and reinsurance against loss resulting from damage to or destruction of real or personal property (including property owned by any State or local government) due to flood, as hereinafter defined, occurring within the United States: Provided, That insurance policies issued under this Act after June 30, 1959, shall be issued only with respect to property in those States which participate as provided in section 7 (a) of this Act.*

LOAN CONTRACTS

SEC. 5. (a) *The Administrator is authorized to enter into contracts with any persons (not including State and local governments and agencies*

thereof) to the effect that, in the event of any subsequent loss resulting from damage to or destruction of real and personal property due to flood, as hereinafter defined, occurring within the United States—

(1) the Administrator will guarantee any public or private financing institution against loss of principal and interest with respect to any loan in an amount not to exceed such subsequent flood loss (as modified by subsection (f) of this section, relating to deductibility), which may be made by such institution to any such person in connection with such flood loss; and

(2) to the extent that a loan to finance such flood loss is not available from any such institution on reasonable terms, the Administrator will make a loan directly to such person in an amount covering all or part (as provided for in the loan contract between the Administrator and such person) of the difference between the amount of such flood loss (as modified by such subsection (f), relating to deductibility) and the amount of the loan available from such institution. Each such contract shall contain such terms and conditions and require from any such person such monetary consideration, as the Administrator may prescribe by regulation. In issuing such regulations the Administrator shall fix such monetary consideration at the lowest practicable amount, following generally the same principles as apply under section 7 (a) with respect to the establishment of fees for insurance.

(b) Any loan made or guaranteed under this section shall bear interest at the rate, as determined by the Administrator, which is prevailing in the area where the money loaned is to be used but such rate shall not exceed 4 per centum per annum on the unpaid principal balance.

(c) Any Federal Reserve bank, when designated by the Administrator, is hereby authorized to act, on behalf of the Administrator, as fiscal agent of the United States in guaranteeing loans under this section and in otherwise taking action in connection with such guarantees. Such funds as may be necessary to enable such bank to carry out any such guarantee shall be supplied and disbursed by or under authority of the Administrator from the Disaster Loan Fund. Such bank shall not have any responsibility or accountability except as agent in taking any action in connection with such guarantees. Each such bank shall be reimbursed by the Administrator, from funds appropriated by the Federal Government, for all expenses incurred by the bank in acting as agent on behalf of the Administrator, including among such expenses, notwithstanding any other provision of law, attorneys' fees and expenses of litigation.

(d) Action and operations of such banks under authority of subsection (c) of this section shall be subject to the supervision of the Administrator and subject to such regulations as he may prescribe. The Administrator is authorized to prescribe the term and incidental charges for loans guaranteed under subsection (c) of this section. The Administrator is further authorized to prescribe regulations with respect to the forms and procedures (which shall be uniform to the maximum extent practicable) to be utilized in connection with such guarantees.

(e) To the maximum extent practicable, loans under this section shall be on a long-term basis in accordance with regulations prescribed by the Administrator, if so requested by the person obtaining the loan.

(f) Loans under this section shall be made only with respect to amounts exceeding the first \$500 of the amount of the loss.

(g) The face amount of all loan contracts outstanding under this section at any one time shall not exceed \$2,000,000,000; but such amount may be

increased, with the approval of the President, by not to exceed \$500,000,000 in any one fiscal year.

(h) The provisions of sections 8, 9, 10 (a), 10 (b), 12 (b), 12 (c), 13, 14, 15 (e), 15 (g), 17 (a), 18, 19, 20, 22, and 23 of this Act shall be applicable with respect to the loan contract program under this section.

COMBINATION OF INSURANCE AND LOANS

SEC. 6. The Administrator is authorized to establish, under such regulations as he may prescribe, a program combining insurance and loans in order to provide the greatest variety and amount of protection against loss to the greatest number of affected parties in accordance with individual needs.

ESTIMATED RATES AND FEES

SEC. 7. (a) The Administrator shall from time to time establish a schedule of "estimated rates" for insurance offered under the provisions of this Act, which would be adequate, in his judgment, to produce sufficient proceeds to pay all claims for probable losses over a reasonable period of years. Such "estimated rates" shall be used as a basis for determining the fees to be paid by the persons insured. They shall be based on consideration of the risks involved and shall be uniform for similar risks within a given classification of property. They shall not include any loading for administrative expenses of the Federal Government under this Act. The Administrator shall establish a schedule of fees to provide insurance protection at reasonable costs designed to achieve marketability: Provided, That no insurance policy shall be issued for a fee less than 60 per centum of such "estimated rate". The Administrator is authorized to establish such classifications of fees as he deems necessary to carry out the purposes of this Act based on the use of the property to be insured, the availability of insurance from private sources covering such property, and the ability of the insured to self-insure or reinsure and may establish differentials in levels of fees for such classifications: Provided, That all such fees shall be uniform for similar risks within a given classification of property. Prior to July 1, 1959, the Administrator shall pay into the Disaster Insurance Fund, hereinafter created, from time to time, an amount equal to the difference between the fees charged for insurance policies issued and the amount which would have been charged if the "estimated rates" were applied: Provided, That after June 30, 1959, each State shall pay from time to time into the Disaster Insurance Fund, an amount equal to one-half the difference between the fees charged for insurance policies issued after such date on property in such State, and the amount which would have been charged if the "estimated rates" were applied, and the Administrator shall pay into such Fund, from time to time, an amount equal to the State's contribution for each policy issued.

(b) The Administrator from time to time shall also negotiate with insurance companies seeking reinsurance for the purpose of establishing fees for reinsurance offered under the provisions of this Act. Such fees shall be based on consideration of the risks involved and shall be adequate, in the judgment of the Administrator, to produce sufficient proceeds over a reasonable period of years to pay all claims for losses. The fees shall not include any loading for administrative expenses of the Federal Government under this Act.

PROPERTY AND LOSS LIMITS

SEC. 8. *The Administrator is authorized to provide for the determination of types and location of property with respect to which insurance or reinsurance shall be made available under this Act, the nature and limits of loss or damage in any area (including subdivisions thereof) which may be covered by such insurance or reinsurance, and such other matters as may be necessary to carry out the purposes of this Act.*

RISK CLASSIFICATION

SEC. 9. *The Administrator may from time to time issue appropriate regulations regarding the classification, limitation, and rejection of risks assumed by him under authority of this Act.*

POLICY AND PROGRAM LIMITS

SEC. 10. (a) *The outstanding face amount of insurance issued by the Administrator under this Act shall not exceed \$250,000 per person: Provided, That the face amount of such insurance on any dwelling unit (including any structures and personal property connected therewith) shall not exceed \$10,000.*

(b) *The Administrator may from time to time issue appropriate regulations regarding insurance coverage available to joint owners and subsidiary and affiliated corporations as he shall deem advisable to effectuate the purposes of this Act.*

(c) *Each insurance policy issued by the Administrator shall contain a loss-deductible clause relieving him from any liability for paying the first \$100 of a proved and approved claim for loss, plus 5 per centum of the remainder, or such larger amount or percentage as may be specified by the Administrator upon issuance of the insurance policy, taking into consideration the class of risk involved.*

(d) *The face amount of insurance policies and reinsurance agreements outstanding at any one time under this Act shall not exceed \$3,000,000,000 (which limit may be increased with the approval of the President by further amounts not to exceed \$2,000,000,000 in the aggregate if such increase is deemed advisable to effectuate the purposes of this Act) minus the aggregate amount of claims proved and approved under insurance policies and reinsurance agreements issued under this Act, but plus fees collected hereunder. For the purpose of applying this limitation, the face amount of any policy or agreement shall be deemed to be the original amount minus claims proved and approved thereunder.*

REINSURANCE REGULATORY AUTHORITY

SEC. 11. (a) *The Administrator is authorized to issue such regulations regarding reinsurance under this Act as he deems advisable in order to carry out the purposes of this Act.*

(b) *The premium rate and terms and conditions of any policy reinsured under the provisions of this Act shall be subject to approval by the Administrator.*

(c) *The Administrator shall use his best efforts to encourage private insurance companies to undertake the issuance of insurance policies covering that portion of the loss in excess of the limits specified in section 10 (a) of this Act resulting from damage to or destruction of real or per-*

sonal property due to flood as defined in this Act. The Administrator may seek to achieve this end by offering a program of appropriate reinsurance within the authority granted him by this Act.

(d) Wherever practicable, the Administrator may encourage, by offering suitable reinsurance subject to the provisions of this Act, the issuance by private insurance companies of policies insuring against loss resulting from damage to or destruction of real or personal property due to flood.

NONDUPLICATION OF AVAILABLE INSURANCE

SEC. 12. (a) No insurance or reinsurance, or loan contract, shall be issued under the provisions of this Act covering risks against which insurance is available on reasonable terms from other public or private sources.

(b) No insurance or reinsurance shall be issued under the provisions of this Act on any property declared by a duly constituted State or local zoning authority, or other authorized public body, to be in violation of State or local flood zoning laws.

(c) After June 30, 1958, no insurance or reinsurance shall be issued under the provisions of this Act in any geographical location unless an appropriate public body shall have adopted and shall keep in effect such flood zoning restrictions, if any, as may be deemed necessary by the Administrator to reduce, within practicable limits, damages from flood in such location.

USE OF OTHER PUBLIC AND PRIVATE FACILITIES

SEC. 13. (a) In providing insurance or reinsurance under this Act, the Administrator shall use to the maximum practicable extent the facilities and services of private organizations and persons authorized to engage in the insurance business under the laws of any State (including insurance companies, agents, brokers, and adjustment organizations); and the Administrator may arrange for payment of reasonable compensation therefor.

(b) In providing insurance or reinsurance under this Act, the Administrator may use the services of other public agencies, and pay reasonable compensation therefor.

(c) The Administrator may supply, receive from and exchange with other agencies of the Federal Government, State, local, and interstate commissions or agencies, and private organizations experienced in the fields of insurance or reinsurance, such information as may be useful in the administration of the programs authorized by this Act.

(d) In carrying out the functions authorized in this Act, the Administrator may consult with other agencies of the Federal Government and interstate, State, and local public agencies having responsibilities for land use and flood control and for flood zoning and flood-damage prevention in order to assure that the insurance and reinsurance programs are consistent with the programs of such agencies. Where the program of the Administrator may affect existing or proposed flood-control works under the jurisdiction of agencies of the Federal Government these agencies shall cooperate with the Administrator in coordinating their respective programs. The Secretary of Agriculture and the Administrator shall coordinate the administration of their respective programs relating to flood insurance and reinsurance for agricultural commodities.

(e) *The Administrator may from time to time consult with representatives of the various States to the extent deemed necessary by him to effectuate the purposes of this Act.*

CLAIMS PAYMENT AND JUDICIAL REVIEW

SEC. 14. (a) *Under such regulations as the Administrator may prescribe, he shall arrange for prompt adjustment and payment of valid claims for losses covered by insurance or reinsurance under this Act.*

(b) *Upon disallowance of any claim against the Administrator under color of any insurance or reinsurance made available under this Act, or upon refusal of the claimant to accept the amount allowed upon any such claim, the claimant may institute an action against the Administrator on such claim in the United States district court in which a major portion (in terms of value) of the insured property is located. Any such action must be begun within one year after the date upon which the claimant receives from the Administrator written notice of disallowance or partial disallowance of the claim. For the purposes of this section, the Administrator may be sued and he shall appoint one or more agents within the jurisdiction of each United States district court upon whom service of process can be made in any action instituted under this section. Exclusive jurisdiction is hereby conferred upon all United States district courts to hear and determine such actions without regard to the amount in controversy.*

FUNDS AND TREASURY BORROWINGS

SEC. 15. (a) *To carry out the purposes of this Act, the Administrator is authorized to establish three funds to be known as the (1) Disaster Insurance Fund, (2) Disaster Reinsurance Fund, and (3) Disaster Loan Fund.*

(b) *Into the Disaster Insurance Fund shall be deposited all insurance fees collected by the Administrator for insurance policies issued by him under this Act, and the contributions made by the Administrator and the respective States in accordance with section 7 (a) of this Act. Into the Disaster Reinsurance Fund shall be deposited all fees collected by the Administrator in connection with reinsurance made available by him under this Act. Into the Disaster Loan Fund shall be deposited amounts accruing to the United States in connection with loan contract transactions.*

(c) *Moneys in each of the funds may be invested in obligations of the United States or in obligations guaranteed as to principal and interest by the United States. Such obligations may be sold and the proceeds derived therefrom may be reinvested as above provided if deemed advisable by the Administrator. Income from such investment or reinvestment shall be deposited in the respective fund from which the investment was made.*

(d) *All salvage proceeds realized by the Administrator in connection with insurance made available under this Act shall be deposited in the Disaster Insurance Fund; and all salvage proceeds realized by the Administrator in connection with reinsurance made available under this Act shall be deposited in the Disaster Reinsurance Fund.*

(e) *The Administrator is authorized to issue to the Secretary of the Treasury from time to time and have outstanding at any one time, in an amount not exceeding \$500,000,000 (or such greater amount as may be approved by the President) notes or other obligations in such forms and*

denominations, bearing such maturities, and subject to such terms and conditions as may be prescribed by the Administrator, with the approval of the Secretary of the Treasury. Such notes or other obligations shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the current average rate on outstanding marketable obligations of the United States of comparable maturities as of the last day of the month preceding the issuance of such notes or other obligations. The Secretary of the Treasury is authorized and directed to purchase any notes and other obligations to be issued hereunder and for such purpose he is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under such Act, as amended, are extended to include any purchases of such notes and obligations.

The Secretary of the Treasury may at any time sell any of the notes or other obligations acquired by him under this section. All redemptions, purchases, and sales by the Secretary of the Treasury of such notes or other obligations shall be treated as public debt transactions of the United States. Funds borrowed under this section shall be deposited, in such proportions as the Administrator deems advisable, in the Disaster Insurance Fund, the Disaster Reinsurance Fund, and the Disaster Loan Fund.

(f) Moneys in the Disaster Insurance Fund, the Disaster Reinsurance Fund, and the Disaster Loan Fund may be used for the following purposes as deemed necessary by the Administrator:

(1) To pay from the Disaster Insurance Fund proved and approved claims for loss under, and other nonadministrative expenses arising in connection with, insurance policies issued by the Administrator under this Act;

(2) To pay from the Disaster Reinsurance Fund proved and approved claims under, and other nonadministrative expenses arising in connection with, reinsurance agreements entered into by the Administrator under this Act;

(3) To pay from the Disaster Loan Fund the amounts of loans made by the Administrator, amounts in payment of guarantees, and other nonadministrative expenses in connection with direct and guaranteed loans under this Act; and

(4) To repay to the Secretary of the Treasury sums borrowed from him in accordance with the provisions of subsection (e) of this section.

(g) All administrative expenses of the Federal Government under this Act shall be paid from funds appropriated by the Federal Government.

ADVISORY COMMITTEE

SEC. 16. In carrying out his functions under this Act, the Administrator shall appoint an advisory committee as authorized by section 601 of the Housing Act of 1949, as amended (68 Stat. 590, 645). Such committee shall consist of not less than three nor more than fifteen persons familiar with the problems of insurance or reinsurance, to advise the Administrator with respect to the formulation of policies and the execution of functions under this Act.

STUDIES

SEC. 17. (a) The Administrator shall undertake a continuing study of the practicability of extending the coverage of insurance programs

similar to those authorized under this Act to any one or more natural disaster perils, other than flood, against which, and for the period during which, insurance protection is not generally and practically available in all geographical locations from other public or private sources.

(b) The Administrator shall also undertake a continuing study of participation by private insurance companies in the programs authorized by this Act, in order that the protection it authorizes can be provided, whenever practicable, through insurance policies issued by private insurance companies and reinsured with the Administrator, in lieu of providing such protection through insurance policies issued in the name of the Administrator.

(c) The Administrator shall undertake a continuing study of the feasibility of having private insurance companies take over, with or without some form of Federal financial support, the insurance programs authorized by this Act.

ADDITIONAL FUNCTIONS

SEC. 18. For the purpose of carrying out functions under this Act the Administrator may—

(a) sue or be sued;

(b) without regard to sections 3648 and 3709 of the Revised Statutes, as amended (31 U. S. C. 529 and 41 U. S. C. 5), and section 322 of the Act of June 30, 1932 (47 Stat. 412, as amended (40 U. S. C. 278a)), enter into and perform contracts, leases, cooperative agreements, or other transactions, on such terms as he may deem appropriate, with any agency or instrumentality of the United States, or with any State or agency or political subdivision thereof, or with any person, firm, association, or corporation and consent to modification thereof, and make advance or progress payments in connection therewith;

(c) without regard to sections 3648 and 3709 of the Revised Statutes, as amended (31 U. S. C. 529 and 41 U. S. C. 5), and section 322 of the Act of June 30, 1932 (47 Stat. 412, as amended (40 U. S. C. 278a)), by purchase, lease, or donation acquire such real and personal property and any interest therein, make advance or progress payments in connection therewith, and hold, use, maintain, insure against loss, sell, lease, or otherwise dispose of such real and personal property as the Administrator deems necessary to carry out the purposes of this Act;

(d) appoint, pursuant to civil-service laws and regulations, such officers, attorneys, and employees as may be necessary to carry out the purposes of this Act; fix their compensation in accordance with the provisions of the Classification Act of 1949, as amended; define their authority and duties; provide bonds for such of them as he may deem necessary; and delegate to them, and authorize successive redelegations by them, of such of the powers vested in him by this Act as he may determine;

(e) conduct researches, surveys, and investigations relating to flood insurance and reinsurance and assemble data for the purpose of establishing estimated rates, fees, and premiums for flood insurance and reinsurance under this Act;

(f) issue such rules and regulations as he deems necessary to carry out the purposes of this Act; and

(g) exercise all powers specifically granted by the provisions of this Act and such incidental powers as are necessary to carry out the purposes of this Act.

RESERVATION OF RIGHTS IN REAL ESTATE ACQUIRED

SEC. 19. The acquisition by the Administrator of any real property pursuant to this Act shall not deprive any State or political subdivision thereof of its civil or criminal jurisdiction in and over such property or impair the civil rights under the State or local law of the inhabitants on such property.

TAXATION

SEC. 20. Nothing in this Act shall be construed to exempt any real property, acquired and held by the Administrator in connection with the payment of any claim under this Act, from taxation by any State or political subdivision thereof, to the same extent, according to its value, as other real property is taxed.

ANNUAL REPORT

SEC. 21. The annual report made by the Administrator to the President for submission to the Congress under existing law on all programs provided for under this Act shall contain a comprehensive report concerning (1) the operation of insurance, reinsurance, and loan programs authorized under this Act, and (2) the status and result of studies authorized under section 17 of this Act, together with such recommendations, if any, for legislative changes deemed by the Administrator desirable to improve the operation of programs authorized under this Act. The annual report for the calendar year ending December 31, 1958, shall contain a list of the States which can be expected to participate in the insurance program authorized by this Act after June 30, 1959. The annual report for the calendar year ending December 31, 1961, shall contain an express opinion of the Administrator, supported by pertinent findings, concerning the advisability of withdrawing in whole or in part Federal financial support for insurance policies to be issued at any time after June 30, 1962, offering protection as authorized in this Act, taking into consideration the desirability of offering such protection. Such opinion shall be accompanied by recommendations for legislative changes deemed desirable by the Administrator in the event the opinion is to the effect that any such withdrawal of financial support is advisable.

DEFINITIONS

SEC. 22. As used in this Act the term—

(a) "Flood" includes any flood, tidal wave, wave wash, or other abnormally high tidal water, deluge, or the water component of any hurricane or other severe storm, surface landslide due to excess moisture, and shall have such other meaning as may be prescribed by regulation of the Administrator.

(b) "Person" means an individual or group of individuals, corporation, partnership, association, or any other organized group of persons, including State and local governments and agencies thereof;

(c) "United States", when used in a geographic sense, means the several States, the District of Columbia, the Territories, the possessions, and the Commonwealth of Puerto Rico;

(d) "State" includes the several States, the District of Columbia, the Territories, the possessions, and the Commonwealth of Puerto Rico; and

(e) "Administrator" means the Housing and Home Finance Administrator.

SEPARABILITY PROVISION

SEC. 23. If any provision of this Act or the application of such provision to any person or circumstances shall be held invalid, the remainder of the Act and the application of such provision to any person or circumstance other than those as to which it is held invalid shall not be affected thereby.

And the House agree to the same.

BRENT SPENCE,
PAUL BROWN,
WRIGHT PATMAN,
ALBERT RAINS,
JESSE P. WOLCOTT,
RALPH A. GAMBLE,

Managers on the Part of the House.

HERBERT H. LEHMAN,
J. W. FULBRIGHT,
MIKE MONRONEY,
WAYNE MORSE,
PRESCOTT BUSH,

Managers on the Part of the Senate.

STATEMENT OF THE MANAGERS ON THE PART OF THE HOUSE

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 3732) to provide insurance against flood damage, and for other purposes, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

The House amendment struck out all after the enacting clause of the Senate bill and inserted a substitute amendment. The conferees have agreed to a substitute for both the Senate bill and the House amendment. The conference substitute is identical with the House amendment, except in two respects.

The House amendment contained a provision authorizing the Administrator to issue insurance policies on owner-occupied homes at reduced fees if he found that the owners of these homes, as a class, could not afford to pay the fees otherwise chargeable for such insurance under the bill. The Senate bill contained no such provision. The House recedes, and this provision is not included in the conference substitute.

Both the Senate bill and the House amendment provided that after June 30, 1959, each State would be required to pay into the disaster insurance fund one-half the difference between the fees charged for policies issued after that date on property in that State and the estimated rates needed to cover losses on such properties. The provisions of the Senate bill on this point were more complete, providing for such matters as consultation between the State and Federal Governments and a statement in the Administrator's 1958 report of the number of States which could be expected to participate in the program after this requirement takes effect. The conference substitute follows the language of the Senate bill, with a technical amendment making it clear that when the States begin to contribute to the insurance fund, the Federal contributions will be reduced by a corresponding amount.

BRENT SPENCE,
PAUL BROWN,
WRIGHT PATMAN,
ALBERT RAINS,
JESSE P. WOLCOTT,
RALPH A. GAMBLE,

Managers on the Part of the House.

"D. Overlapping and undefined functions resulting from the trielemental, land-sea-air approach to the allocating of roles and missions to the separate armed services."

(Comment: This is factually wrong. Congress in writing roles and missions into the National Security Act rejected the Prussian-German trielemental theory and based roles and missions on the American "functional" or "balanced force" concept. This Army General Staff statement is the product of either deliberate misrepresentation or ignorance. At least until now Army General Staff cleverness has not been characterized by ignorance of essential facts and military terminology.)

"Courses of actions listed"

"Having isolated the deterrents to integration of the Armed Forces, it is possible to deduce certain courses of action which singly, or in combination, might provide a concept for the most suitable organization for a thoroughly integrated Military Establishment. These are:

"A. Retain present organization, but develop a common doctrine for all services.

"B. Retain present organization, but redefine the functions for the separate services.

"C. Revise the National Security Act to reorganize the Department of Defense above the military services level.

"D. Revise the National Security Act to reorganize the military services, per se, into an integrated national armed force.

"[Here followed analyses of the four courses of action with the conclusion that course (C) offered the most chance of success in achieving traditional Army unification objectives.]

"[The Army's argument in favor of this course follows.]

"This concept visualizes a Military Establishment organized as follows:

"(1) An essentially military Department of Defense, organized as a joint military staff. This Department is directed by a civilian Secretary of Defense who is both a Cabinet officer and commander of the Armed Forces in the name of the President as Commander in Chief."

(Comment: To assure that the supreme general staff will be certain of controlling the Department of Defense, the entire Department is to be included in the supreme staff.)

"Directly responsive to the Secretary, as a staff affiliate, is a civilian controller and a civilian general counsel. Through these agencies the Secretary controls the legal and budgetary functions of the Department and the military services.

"(2) Directly subordinate to the Secretary of Defense is the chief of the joint staff. The joint staff is the operating element, which in fact comprises the Department of Defense."

(Comment: The joint (supreme) staff becomes the Department of Defense—manpower, research, troop information and education, draft requirements, industrial requirements, procurement, etc. This would be the greatest single grant of power to the military in all modern history. The magnitude of this grant of power to the military is readily apparent when it is considered that the Department of Defense is the greatest single spending agency in the world today. The power that would accrue to the joint (supreme) staff through its direct and indirect control of the national economy which would inevitably flow from the expenditure of the defense billions is appalling to any thinking American.)

"The Chief of the Joint Staff is appointed by the President with the consent of the Senate. He may be from any of the 3 military services, however, the office will be rotated among the 3 services. His tenure will be limited by statute. He may be extended for additional 2-year periods upon nomination by the President with the consent of the

Senate. Upon assuming office, he will be retired from his service and upon completing his assignment he may no longer return to duty with any component of the military services but will continue in retirement at the full statutory pay of his office. During his term in office, he will be, as a civilian, the military commander of the armed services, but will have no budgetary authority. He will be the military adviser to the Secretary of Defense, the President, and the National Security Council."

(Comment: Chief of the Joint Staff—

1. Will be retired before taking office. By overnight change of clothes he is supposed, apparently, to become a civilian.

2. Cannot be a civilian. Under law a retired officer remains an officer. Retired officers are in the military service of the Government. This was decided by the Supreme Court in the case of *U. S. v. Tyler* (1882) (105 U. S. 244). There are various statutes which confirm this status of retired officers. For example, section 1c, title 10, United States Code provides as follows:

"(a) The Regular Army is that component of the Army which consists of persons whose continuous service on active duty in both peace and war is contemplated by law, and of persons who are retired members of the Regular Army."

Further, article 2 (4) of the Uniform Code of Military Justice provides that:

"Retired personnel of a regular component of the Armed Forces who are entitled to receive pay" are subject to court-martial jurisdiction.

This is just another example of the ignorance or deliberate misrepresentations of preparing this paper.

3. Is commander of all military forces, and the joint (supreme) staff, which includes the entire Department of Defense.

4. "No budgetary authority." A meaningless restriction. The Chief of Staff, as herein proposed, will control the Department of Defense (the supreme staff), and his power to set military policy, strategy requirements, manpower requirements, weapons and industrial requirements will be so great as to exert indirect control over defense budgets. He will have all the planning agencies and can produce the facts to support his requirements. No other agency will have a source of military information; hence no way of checking on the Chief of Staff's decisions.

5. Will be sole military advisor to Secretary of Defense, President, and National Security Council. Thus the civilian "superiors" will have only one viewpoint, and recommendation, and will not have any way of knowing whether there were serious military objections to what has been decided by the Chief of Staff. Civilian superiors will have only one alternative to Chief of Staff's position and that would be to veto it. This they could not do as they would have no alternate plan to substitute for it. This is the manner in which the chiefs of the great German general staff boxed in and controlled their nominal constitutional superiors.)

"Two deputies provided"

"3. The chief of the joint staff will be served by two deputies: a deputy chief of staff for plans and operations, and a deputy chief of staff for requirements. These officers will each be of a different armed service than the chief of the joint staff and each other. They may serve for no more than 4 years in the Department of Defense after assuming deputy status and upon completion of their assignment will be retired on full pay, with the exception that they may be reappointed immediately as chief of staff of the joint staff.

"(4) The deputy chief of staff for plans and operations will be served by 3 assistant chiefs of staff: an assistant chief of staff for operations, assistant chief of staff for plans, and an assistant chief of staff for intelligence. Each of these assistant chiefs of staff

will be of a different military service. They may serve for no more than 4 years in the Department of Defense after assuming assistant status and upon completion of their assignment will be retired on full pay, with the exception that they may be reappointed immediately as a deputy or as chief of the joint staff.

"(5) The deputy chief of staff for requirements will be served by 3 assistant chiefs of staff: an assistant chief of staff for personnel, assistant chief of staff for logistics and an assistant chief of staff for research and development. Each of these assistant chiefs of staff will be from a different service and will be subject to the same terms of tenure of office and retirement as the assistants for operations, plans, and intelligence.

"(6) This Department of Defense joint staff need not be wholly military but no fixed ratio of civilian appointments to military personnel should be established. The staff, however, should be predominantly military. Throughout subordinate staff organization, the principle of integrated assignment of officers from different services to personnel spaces should be adhered to, as should a policy of rotation of specific spaces among the different services. Officers below the assistant chief of staff level on duty with the Department of Defense joint staff should be limited to no more than 4 consecutive years of staff duty, with a minimum 2 years duty required outside the department before he can be reassigned for another tour. This restriction can be voided during time of war or national emergency declared by the Congress."

(Comment: All civilian deputy and assistant secretaries of defense would be replaced by military officials. A really clean sweep by the supreme general staff: eliminates all chance of Secretary of Defense having influence in or information from Department of Defense except as permitted by the Chief of Staff.

Also note how line of succession to higher power in the supreme staff is provided. Duty on the supreme staff becomes a new career, subject only to occasional interruptions for other duty. However, in war and national emergency there is no restriction on continuous duty. This closely parallels similar aspects of the great German general staff system, which led to a permanent corps of general staff officers whose careers centered almost exclusively on general staff duty. This in turn resulted in loss of realism and increased "ivory tower" thinking.)

"No separate departments"

"(7) Below the Department of Defense, there will be no separate Departments of Army, Navy, and Air Force per se. The directing functions of the present military departments will be absorbed into either the Department of Defense, the separate service staffs, or both."

(Comment: One big merger into one service, precisely what Congress has prohibited in the most unmistakable terms, complete centralization of control into the Department of Defense, which is, in fact, the supreme general staff.)

"(8) The chief of staff of the joint staff will hold direct command over the Army, Navy, and the Air Force through the commanding Generals of the Army and the Air Force and the Chief of Naval Operations. He will also designate and command directly the unified commanders. Forces for the unified commands will be allocated by the chief of staff and provided, on his order, by the service commanding generals and Chief of Naval Operations. The chief of staff of the joint staff will be responsible to the Secretary of Defense for the strategic planning and direction of the Armed Forces and for maintaining the efficiency of the Military Establishment, its state of preparation for military operations, and plans therefore."

(Comment: Chief of staff commands the Army, Navy, and Air Force through the military heads of those services. The Secretaries of Army, Navy, and Air Force are eliminated, replaced by the military. No longer will the Secretary of Defense control the military departments through their respective secretaries. Every vestige of civilian control is destroyed. Also destroyed is the Marine Corps. There is less chance of civilian control under this Army General Staff blueprint than there was in the German armed forces in the palmiest days of the great general staff.)

"From this analysis, course of action C offers the most chance of success in achieving traditional Army unification objectives. Therefore, the most suitable organization for a thoroughly integrated Military Establishment can be achieved by revision of the National Security Act of 1947 to reorganize the Department of Defense above the military services level within the concept outlined for course of action C."

(Comment: A correct statement. What is the traditional Army General Staff unification objective? James Forrestal knew what that objective was. He pointedly stated it was the isolation of civilian control of the military, and he further stated that General Marshall "quite frankly said so." This plan certainly would achieve that objective.)

ESSENTIALS OF THE ARMY GENERAL STAFF PLAN FOR ESTABLISHING A PRUSSIAN-TYPE HIGH COMMAND

1. Destruction of the war-proven Joint Chiefs of Staff.
2. Creation of a single chief of staff.
3. Creation of a supreme general staff.
4. Elimination of civilian Deputy and Assistant Secretaries of Defense.
5. Replaces civilian Deputy and Assistant Secretaries of Defense with deputy and assistant Chiefs of Staff.
6. Makes Department of Defense identical with the supreme general staff. Thus, the Chief of Staff and the supreme staff would control all the activities now performed by the Department of Defense. Its power would effect every home, school, and industry in the country.
7. Eliminates the civilian Secretaries of the Army, Navy, and Air Force.
8. Replaces the civilian secretaries of the Army, Navy, and Air Force with military officers.
9. Gives Chief of Staff actual command over all Armed Forces.
10. Chief of Staff to have power to settle all differences of opinion in Armed Forces as to proper national military policy. Does not even have to refer basic policy questions to Secretary of Defense or President.
11. Chief of Staff displaces Secretary of Defense as real authority over Department of Defense. Chief of Staff directs Department of Defense for the Secretary of Defense.
12. Chief of staff sole adviser on military matters to Secretary of Defense, President, and National Security Council. Can control the information his "superiors" receive.
13. Would be able likewise to decide what information Congress should receive on national defense matters. Would be the end of effective congressional action in defense matters.
14. Would eliminate the Marine Corps.
15. Establishes system for successive promotions through the supreme staff hierarchy, and continuing rotation of individual officers to duty in the supreme staff.
16. Creates "ivory tower" in which those who make plans are not responsible for carrying them out.
17. Substitutes the Prussian-German supreme general staff system for the United States-developed Joint Chiefs of Staff system.
18. Thus it would destroy civilian control of the military, prevent congressional "interference" in military matters, and destroy the war-proven JCS system, substituting in its

place the high command system of the vanquished.

NOTE.—Every one of these proposed changes is contrary to the letter or spirit of the report of the Hoover Commission Task Force on National Security.

FEDERAL FLOOD INSURANCE ACT OF 1956—CONFERENCE REPORT

Mr. JOHNSON of Texas. Mr. President, I understand that the conference report on the flood insurance bill is at the desk. I call this matter to the attention of the Senator from New York.

Mr. LEHMAN. Mr. President, I submit a report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 3732) to provide insurance against flood damage, and for other purposes. I ask unanimous consent for the present consideration of the report.

The VICE PRESIDENT. The report will be read for the information of the Senate.

The legislative clerk read the report. (For conference report, see House proceedings of today.)

The VICE PRESIDENT. Is there objection to the present consideration of the report?

There being no objection, the Senate proceeded to consider the report.

Mr. LEHMAN. Mr. President, I ask unanimous consent that a statement I have prepared explaining the details of the conference action may be printed in the body of the Record at this point.

I urge immediate adoption of the conference report.

There being no objection, the statement was ordered to be printed in the Record, as follows:

STATEMENT BY SENATOR LEHMAN

Fortunately, the House made few changes in its action on this Senate bill. Therefore, there were only a few points to be adjusted in the conference between the two Houses.

The Senate found it necessary to recede to the House in the following three matters:

1. Under the conference bill a loan-contract program will be made available whereby a potential flood victim, upon payment of a fee to be fixed by the Administrator of this program, can assure himself of the right to a loan in the event he becomes a flood victim. It is expected that this program will operate in a manner similar to the procedures provided for the V-loans under the Defense Production Act of 1950. This loan-contract program will supplement the flood-insurance program provided in other portions of the bill. Potential flood victims may choose to purchase their flood protection in the form of insurance or loans or a combination of the two. For a fee less than it will cost to buy flood insurance, a potential flood victim may assure himself of the financial means to repair flood loss under the loan-contract provision. The bill as it passed the Senate contained no comparable provision.

2. Under the conference bill, the flood insurance and loan-contract program will be administered by the Housing and Home Finance Administrator in whom is vested operating and management policy. Under the conference bill, he may appoint a Commissioner to assist him in these duties. As it passed the Senate, the bill would have created a Federal Flood Insurance Administration as an agency of the Housing and Home Finance Agency and would have required a Commissioner to head that Administration to be appointed by the President, by and with the advice and consent of the Senate. The Sen-

ate bill would also have vested operating and management control in the Commissioner.

3. The conference bill modifies the definition of "flood" to make it clear that the insurance and loan-contract program will cover, among other forms of water damage, surface landslides due to excess moisture, thus excluding underground cave-ins. As it passed the Senate, the bill defined "flood" to include, among other things, any landslide due to excess moisture.

This concludes a summation of the matters on which the Senate receded to the House. In two respects the House receded to the Senate in the conference bill.

First, the House receded to the Senate on the ratemaking provisions so that the maximum subsidy on the rate for insurance or loan contracts is 40 percent. As the bill passed the House it would have placed no limit on the amount of subsidy for flood insurance or loan contracts issued to owner-occupants of dwellings.

Second, the House also receded to the Senate on certain technical changes affecting the requirement for State participation in paying subsidies under the program after June 30, 1959.

While I personally am not pleased with all the provisions of this bill, I am happy that for the first time the Congress of the United States is placing the finishing touches on an experimental program of flood insurance that should go far toward relieving the anguish of those affected by floodwaters. Deficiencies in the program can be spotted as the provisions of the statute are placed in actual operation. These defects can be remedied by future legislation where it is advisable. The important thing is that the conference bill will accomplish a humanitarian and practical method of helping flood victims to help themselves through a program of insurance. I urge immediate adoption of the conference report.

The VICE PRESIDENT. The question is on agreeing to the conference report. The report was agreed to.

MUTUAL SECURITY APPROPRIATION BILL, 1957—CONFERENCE REPORT

Mr. JOHNSON of Texas. Mr. President, the conference report on the mutual security appropriation bill is at the desk. The Senator from Arizona [Mr. HAYDEN] will call it up.

Mr. HAYDEN. Mr. President, I submit a report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 12130) making appropriations for Mutual Security for the fiscal year ending June 30, 1957, and for other purposes. I ask unanimous consent for the present consideration of the report.

The VICE PRESIDENT. The report will be read for the information of the Senate.

The legislative clerk read the report.

(For conference report, see House proceedings of today.)

The VICE PRESIDENT. Is there objection to the present consideration of the report?

There being no objection, the Senate proceeded to consider the report.

Mr. HAYDEN. Mr. President, I ask that the report be agreed to.

The VICE PRESIDENT. The question is on agreeing to the report.

The report was agreed to.

The VICE PRESIDENT laid before the Senate a message from the House of Rep-

payments to public and nonprofit agencies for the construction of hospitals is hereby revived and extended with respect to public and nonprofit agencies which have, prior to June 30, 1953, applied under such section 304 for such loans or grants, or other payments for the construction of hospitals, and have been denied such loans or grants, or other payments solely because of the unavailability of funds for such purpose.

"(b) The authority granted by this section shall expire June 30, 1958.

"(c) There is hereby authorized to be appropriated the sum of \$5,000,000 for the purposes of this section for each of the fiscal years ending June 30, 1957, and June 30, 1958.

"Farm housing"

"Sec. 606. (a) The first sentence of section 511 of the Housing Act of 1949 is amended to read as follows: 'The Secretary may issue notes and other obligations for purchase by the Secretary of the Treasury for the purpose of making loans under this title (other than loans under section 504 (b)). The total principal amount of such notes and obligations issued pursuant to this section during the period beginning July 1, 1956, and ending June 30, 1961, shall not exceed \$450,000,000.'

"(b) Section 512 of such act is amended to read as follows:

"Contributions"

"Sec. 512. In connection with loans made pursuant to section 503, the Secretary is authorized to make commitments for contributions aggregating not to exceed \$10,000,000 during the period beginning July 1, 1956, and ending June 30, 1961.'

"(c) Clause (b) of section 513 of such act is amended to read as follows: '(b) not to exceed \$50,000,000 for grants pursuant to section 504 (a) and loans pursuant to section 504 (b) during the period beginning July 1, 1956, and ending June 30, 1961; and'.

"(d) This section shall take effect as of July 1, 1956."

"Servicemen's readjustment act of 1944"

"Sec. 607. Paragraph (C) of subsection (b) of section 512 of the Servicemen's Readjustment Act of 1944 is amended by striking out '1957' and inserting in lieu thereof '1958'."

And the Senate agree to the same.

BRENT SPENCE,
PAUL BROWN,
WRIGHT PATMAN,
ALBERT RAINS,
JESSE P. WOLCOTT,
RALPH A. GAMBLE,
HENRY O. TALLE,

Managers on the Part of the House.

J. WILLIAM FULBRIGHT,
JOHN J. SPARKMAN,
HOMER E. CAPEHART,
JOHN W. BRICKER,
WALLACE F. BENNETT,

Managers on the Part of the Senate.

STATEMENT

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H. R. 11742) to extend and amend laws relating to the provision and improvement of housing and the conservation and development of urban communities, and for other purposes, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

The Senate amendment to the text struck out all of the House bill after the enacting clause and inserted a substitute. The House recedes from its disagreement to the amendment of the Senate, with an amendment which is a substitute for both the House bill and the Senate amendment. The essential differences between the House bill

and the substitute agreed to in conference are noted below.

FHA TITLE I—HOME REPAIR LOANS

The House bill contained a provision increasing the maximum term of title I single-family home-improvement loans from 3 to 5 years. The Senate amendment contained a provision placing discretionary authority in the FHA Commissioner to raise the term of such loans from 3 to 5 years. The conference substitute conforms to the Senate amendment.

FHA TITLE II—HOME MORTGAGE INSURANCE

The House bill contained a provision increasing the permissible loan-to-value ratio for builder-mortgagors from 85 to 90 percent of the amount permitted for owner-occupant mortgagor. The Senate amendment did not contain this provision and neither does the conference substitute.

FHA cooperative housing

The House bill contained a provision permitting a regular FHA housing project, insured under section 207 of the National Housing Act, to be converted to a cooperative housing project, if the intention to convert such project to a cooperative project was stated by the applicant at the beginning of the project. No such provision was included in the Senate amendment. The conference substitute includes a provision in lieu of that contained in the House bill under which a sponsor of a cooperative could obtain a commitment for a loan up to 85 percent of the replacement cost and proceed with construction before the prospective cooperative has been formed. The sponsor would certify intent to sell to a cooperative upon completion. Until he sells the project, he would be regulated by FHA, as to rents, capital structure, and rate of return. To prevent possible abuse of this financing device, the substitute would deny further use of this special commitment feature in the event the sponsor fails to sell to a cooperative. In all cases the sponsor would be subject to the cost certification requirement of section 227 of the National Housing Act.

FHA TITLE VIII—MILITARY HOUSING

The House bill provided for extension of the military housing program for a period of 3 years to September 30, 1959. The Senate amendment only provided for an extension of this program to December 31, 1957. The conference substitute provides for extension to June 30, 1958.

The House bill provided for an increase in the FHA insurance authorization for military housing projects from the present authorized amount of \$1,363,500,000 to \$2,475,000,000. The Senate amendment provided for an increase in this authorization to \$2,300,000,000, and this amount is retained in the conference substitute.

Both the House bill and the Senate amendment contained provisions requiring the FHA Commissioner to approve Defense Department determinations that new military housing needed would not substantially curtail occupancy of certain existing housing accommodations. The House bill provision, however, was more limited in its application in that if the project was to house personnel who are required to reside in public quarters then the approval of the FHA Commissioner regarding curtailment of occupancy in other projects was not required. The conference substitute includes the provision of the Senate amendment.

Under the House bill, the cost of housing under the FHA military housing program was limited to an average of \$16,500 per unit for each project. The Senate bill provided that such average could not exceed \$15,000 per project and set a servicewide per unit average of \$14,250, including equipment. The conference substitute retains the House provision of a \$16,500 average unit cost per project but includes the language of the

Senate substitute making clear that equipment such as ranges, refrigerators, shades, screens and fixtures, are items of cost which must be included in the maximum average cost of \$16,500 per unit.

Both the House bill and the Senate amendment contained provisions requiring that military housing plans follow the principle of modular measure. In order that prefabricated as well as conventional construction might be employed. The conference substitute retains the language of the House bill, with an amendment to make it clear that the provision applies on a prospective rather than a retroactive basis.

Acquisition of "Wherry Act" housing

The House bill contained a provision directing the Secretary of Defense to acquire, operate, and improve the housing included in the so-called Wherry Act projects. These are projects which were constructed under the FHA title VIII military mortgage insurance program as it existed prior to the revision made by the housing amendments of 1955. The House provision included a purchase-price formula under which the value would not exceed the FHA estimate of replacement cost at time of insurance, adjusted to current cost levels, minus allowance for depreciation. Provision was made, however, that if the project actually cost less than the original mortgage amount or if the buyer or seller could not agree on price, then condemnation proceedings had to be started for acquisition of the project. A \$50 million revolving fund was authorized for such purchases and could also be used for meeting debt service, alterations, and improvements. The Senate amendment did not include a similar provision.

The conference substitute includes a Wherry Act acquisition provision which coordinates it with an acquisition provision included in legislation just enacted by the Congress relating to construction at military installations (H. R. 12270). Under that bill there is permissive authority for the Secretary of Defense to acquire the existing Wherry Act projects by purchase, donation, condemnation, or other means of transfer. In negotiating for such projects, the purchase price of any such housing shall not exceed the Federal Housing Commissioner's estimate of the replacement cost of such housing and related property (not including the value of any improvements installed or constructed with appropriated funds) as of the date of final endorsement for mortgage insurance reduced by an appropriate allowance for physical depreciation, as determined by the Secretary of Defense or his designee upon the advice of the Commissioner. The conference substitute does not disturb this provision of the military construction bill except with respect to Wherry Act projects located at or near an installation where new FHA title VIII military housing projects are programmed. In such cases the Secretary of Defense is required to proceed to negotiate for acquisition of such Wherry Act projects and, in the event of failure to acquire through negotiation, to institute proceedings for acquisition of the projects through condemnation. It is the intention of the conferees that where FHA title VIII projects are programmed under the authority provided by the Housing Amendments of 1955 the Department of Defense shall acquire existing Wherry Act projects.

ADVISORY COMMITTEE ON ELDERLY HOUSING

The Senate amendment contained a provision requiring the Housing and Home Finance Agency to establish an advisory committee on matters relating to housing for the elderly. The House bill contained no comparable provision. The conference substitute retains this provision of the Senate amendment.

FEDERAL NATIONAL MORTGAGE ASSOCIATION

The Senate amendment contained a provision which was not included in the House

bill under which the Federal National Mortgage Association would be required to pay par for all mortgages purchased under its special assistance mortgage-purchase program. The conference substitute includes a provision under which special assistance mortgages purchased by the Association must be purchased at a price of not less than 99 for a period of 1 year after the date of enactment of this act.

SLUM CLEARANCE AND URBAN RENEWAL

The Senate amendment contained a provision rewriting the section of the Housing Act of 1949 relating to requirements of local grants-in-aid in connection with slum clearance projects. It was provided "such local grants-in-aid, together with local grants-in-aid to be provided in connection with all other projects of the local public agency on which contracts for capital grants have heretofore been made, shall not be required in excess of one-third of the aggregate net project costs of all projects of the local public agency on which contracts for capital grants have been made." It is the understanding of the committee of conference that under the language of this provision the agency may continue its present pooling arrangement with respect to such local grants-in-aid. In this connection the committee of conference expresses agreement on the discussion of this subject appearing on pages 31 and 32 of House Report No. 2363, 84th Congress, 2d session.

SALARY OF HOUSING AND HOME FINANCE AGENCY GENERAL COUNSEL

The House bill contained a provision increasing the salary of the General Counsel of the Housing and Home Finance Agency to the level of the heads of constituent agencies of the Housing and Home Finance Agency. No comparable provision was included in the Senate amendment and none is contained in the conference substitute.

Veterans' Administration direct-loan program

The Senate amendment contained a provision which was not included in the House bill extending both the Veterans' Administration home-loan-guaranty program and the Veterans' Administration direct home-loan program for 1 additional year. Other legislation passed by the Congress has provided for a 1-year extension in the Veterans' Administration home-loan-guaranty program but does not include extension of the Veterans' Administration direct home-loan program. Accordingly the conference substitute retains only that portion of the Senate amendment providing for a 1-year extension in the Veterans' Administration direct home-loan program.

BRENT SPENCE,
PAUL BROWN,
WRIGHT PATMAN,
ALBERT RAINS,
JESSE P. WOLCOTT,
RALPH A. GAMBLE,
HENRY O. TALLE,

Managers on the Part of the House.

Mr. SPENCE. Mr. Speaker, I call up the conference report on the bill (H. R. 11742) to extend and amend laws relating to the provision and improvement of housing and the conservation and development of urban communities, and for other purposes, and ask unanimous consent that the statement of the managers on the part of the House be read in lieu of the report.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Kentucky?

There was no objection.

The Clerk read the statement.

Mr. SPENCE (interrupting the reading of the statement). Mr. Speaker, I ask unanimous consent that further reading of the statement be dispensed with.

The SPEAKER. The question is on the conference report.

The conference report was agreed to.

A motion to reconsider was laid on the table.

FLOOD DAMAGE INSURANCE

Mr. SPENCE submitted the following report and statement on the bill (S. 3732) to provide insurance against flood damage, and for other purposes:

CONFERENCE REPORT (H. REPT. No. 2959)

The committee of conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 3732) to provide insurance against flood damage, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its disagreement to the amendment of the House and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the House amendment insert the following: "That this Act may be cited as the 'Federal Flood Insurance Act of 1956'."

"FINDINGS AND DECLARATION OF PURPOSE

"SEC. 2. (a) The Congress finds that in the case of recurring natural disasters, including recurring floods, insurance protection against individual and public loss is not always practically available through private or public sources. With specific reference to insurance against flood loss, the Congress finds that insurance against certain losses resulting from this peril is not so available. Since preventive and protective means and structures against the effects of these disasters can never wholly anticipate the geographic incidence and infinite variety of the destructive aspects of these forces, the Congress finds that the safeguards of insurance are a necessary adjunct of preventive and protective means and structures.

"Inasmuch as these disasters impede interstate and foreign commerce, hamper national defense, and cause widespread distress and hardship adversely affecting the general welfare, without regard to State boundary lines, and in the absence of insurance protection from private or public sources, the Congress ought to provide for such protection in the case of flood, and study the feasibility and need for similar programs in the case of other forms of natural disaster against which insurance protection is not generally and practically available in all geographical areas.

"(b) (1) It is the purpose of this Act to authorize the establishment of a program of Federal insurance and reinsurance against the risks of loss resulting from flood as hereinafter defined, and to require a study and report on insurance and reinsurance against still other natural disaster perils to the extent that such insurance or reinsurance is not available on reasonable terms and conditions from other public or private sources; and

"(2) It is the further purpose of this Act to encourage private insurance companies to write insurance covering the extent of the risks above the limits prescribed in section 10 (a) and to provide Federal reinsurance to the extent desirable and necessary to carry out this purpose.

"(3) It is the further purpose of this Act to authorize the establishment of a program of loans, and a program combining insurance and loans, to assist flood victims who have

entered into contracts with the Administrator under this Act.

"ADMINISTRATION

"SEC. 3. (a) To assist in carrying out the functions, powers, and duties vested in him by this Act, the Administrator may appoint a Commissioner, and the basic rate of compensation of such position shall be the same as the basic rate of compensation established for the Commissioners of the constituents of the Housing and Home Finance Agency.

"(b) The provisions of the Government Corporation Control Act, as amended, shall apply to the functions vested in the Administrator by this Act, to the same extent as applicable to wholly owned Government corporations.

"(c) In the performance of, and with respect to, the functions, powers, and duties vested in him by this Act, the Administrator, notwithstanding the provisions of any other law, shall maintain an integral set of accounts which shall be audited annually by the General Accounting Office in accordance with the principles and procedures applicable to commercial transactions as provided by the Government Corporation Control Act, as amended, and no other audit shall be required: *Provided*, That such financial transactions of the Administrator as the issuing of insurance policies, the making of reinsurance agreements, and the making and guaranteeing of loans, and vouchers approved by the Administrator in connection with such financial transactions, shall be final and conclusive upon all officers of the Government.

"AUTHORITY TO INSURE AND REINSURE

"SEC. 4. To aid in carrying out the purposes of this Act, the Administrator is authorized to provide, upon such terms and conditions (including coinsurance requirements) as he may establish, insurance and reinsurance against loss resulting from damage to or destruction of real or personal property (including property owned by any State or local government) due to flood, as hereinafter defined, occurring within the United States: *Provided*, That insurance policies issued under this Act after June 30, 1959, shall be issued only with respect to property in those States which participate as provided in section 7 (a) of this Act.

"LOAN CONTRACTS

"SEC. 5. (a) The Administrator is authorized to enter into contracts with any persons (not including State and local governments and agencies thereof) to the effect that, in the event of any subsequent loss resulting from damage to or destruction of real and personal property due to flood, as hereinafter defined, occurring within the United States—

"(1) the Administrator will guarantee any public or private financing institution against loss of principal and interest with respect to any loan in an amount not to exceed such subsequent flood loss (as modified by subsection (f) of this section, relating to deductibility), which may be made by such institution to any such person in connection with such flood loss; and

"(2) to the extent that a loan to finance such flood loss is not available from any such institution on reasonable terms, the Administrator will make a loan directly to such person in an amount covering all or part (as provided for in the loan contract between the Administrator and such person) of the difference between the amount of such flood loss (as modified by such subsection (f), relating to deductibility) and the amount of the loan available from such institution.

Each such contract shall contain such terms and conditions and require from any such person such monetary consideration, as the Administrator may prescribe by regulation. In issuing such regulations the Administrator shall fix such monetary consideration at the lowest practicable amount, following gen-

erally the same principles as apply under section 7 (a) with respect to the establishment of fees for insurance.

"(b) Any loan made or guaranteed under this section shall bear interest at the rate, as determined by the Administrator, which is prevailing in the area where the money loaned is to be used but such rate shall not exceed 4 per centum per annum on the unpaid principal balance.

"(c) Any Federal Reserve bank, when designated by the Administrator, is hereby authorized to act, on behalf of the Administrator, as fiscal agent of the United States in guaranteeing loans under this section and in otherwise taking action in connection with such guarantees. Such funds as may be necessary to enable such bank to carry out any such guarantee shall be supplied and disbursed by or under authority of the Administrator from the Disaster Loan Fund. Such bank shall not have any responsibility or accountability except as agent in taking any action in connection with such guarantees. Each such bank shall be reimbursed by the Administrator, from funds appropriated by the Federal Government, for all expenses incurred by the bank in acting as agent on behalf of the Administrator, including among such expenses, notwithstanding any other provision of law, attorneys' fees and expenses of litigation.

"(d) Action and operations of such banks under authority of subsection (c) of this section shall be subject to the supervision of the Administrator and subject to such regulations as he may prescribe. The Administrator is authorized to prescribe the term and incidental charges for loans guaranteed under subsection (c) of this section. The Administrator is further authorized to prescribe regulations with respect to the forms and procedures (which shall be uniform to the maximum extent practicable) to be utilized in connection with such guarantees.

"(e) To the maximum extent practicable, loans under this section shall be on a long-term basis in accordance with regulations prescribed by the Administrator, if so requested by the person obtaining the loan.

"(f) Loans under this section shall be made only with respect to amounts exceeding the first \$500 of the amount of the loss.

"(g) The face amount of all loan contracts outstanding under this section at any one time shall not exceed \$2,000,000,000; but such amount may be increased, with the approval of the President, by not to exceed \$500,000,000 in any one fiscal year.

"(h) The provisions of sections 8, 9, 10 (a), 10 (b), 12 (c), 13, 14, 15 (e), 15 (g), 17 (a), 18, 19, 20, 22, and 23 of this Act shall be applicable with respect to the loan contract program under this section.

"COMBINATION OF INSURANCE AND LOANS

"SEC. 6. The Administrator is authorized to establish, under such regulations as he may prescribe, a program combining insurance and loans in order to provide the greatest variety and amount of protection against loss to the greatest number of affected parties in accordance with individual needs.

"ESTIMATED RATES AND FEES

"SEC. 7. (a) The Administrator shall from time to time establish a schedule of 'estimated rates' for insurance offered under the provisions of this Act, which would be adequate, in his judgment, to produce sufficient proceeds to pay all claims for probable losses over a reasonable period of years. Such 'estimated rates' shall be used as a basis for determining the fees to be paid by the persons insured. They shall be based on consideration of the risks involved and shall be uniform for similar risks within a given classification of property. They shall not include any loading for administrative expenses of the Federal Government under this Act. The

Administrator shall establish a schedule of fees to provide insurance protection at reasonable costs designed to achieve marketability: *Provided*, That no insurance policy shall be issued for a fee less than 60 per centum of such 'estimated rate'. The Administrator is authorized to establish such classifications of fees as he deems necessary to carry out the purposes of this Act based on the use of the property to be insured, the availability of insurance from private sources covering such property, and the ability of the insured to self-insure or reinsure and may establish differentials in levels of fees for such classifications: *Provided*, That all such fees shall be uniform for similar risks within a given classification of property. Prior to July 1, 1959, the Administrator shall pay into the Disaster Insurance Fund, hereinafter created, from time to time, an amount equal to the difference between the fees charged for insurance policies issued and the amount which would have been charged if the 'estimated rates' were applied: *Provided*, That after June 30, 1959, each State shall pay from time to time into the Disaster Insurance Fund, an amount equal to one-half the difference between the fees charged for insurance policies issued after such date on property in such State, and the amount which would have been charged if the 'estimated rates' were applied, and the Administrator shall pay into such Fund, from time to time, an amount equal to the State's contribution for each policy issued.

"(b) The Administrator from time to time shall also negotiate with insurance companies seeking reinsurance for the purpose of establishing fees for reinsurance offered under the provisions of this Act. Such fees shall be based on consideration of the risks involved and shall be adequate, in the judgment of the Administrator, to produce sufficient proceeds over a reasonable period of years to pay all claims for losses. The fees shall not include any loading for administrative expenses of the Federal Government under this Act.

"PROPERTY AND LOSS LIMITS

"SEC. 8. The Administrator is authorized to provide for the determination of types and location of property with respect to which insurance or reinsurance shall be made available under this Act, the nature and limits of loss or damage in any area (including subdivisions thereof) which may be covered by such insurance or reinsurance, and such other matters as may be necessary to carry out the purposes of this Act.

"RISK CLASSIFICATION

"SEC. 9. The Administrator may from time to time issue appropriate regulations regarding the classification, limitation, and rejection of risks assumed by him under authority of this Act.

"POLICY AND PROGRAM LIMITS

"SEC. 10. (a) The outstanding face amount of insurance issued by the Administrator under this Act shall not exceed \$250,000 per person: *Provided*, That the face amount of such insurance on any dwelling unit (including any structures and personal property connected therewith) shall not exceed \$10,000.

"(b) The Administrator may from time to time issue appropriate regulations regarding insurance coverage available to joint owners and subsidiary and affiliated corporations as he shall deem advisable to effectuate the purposes of this Act.

"(c) Each insurance policy issued by the Administrator shall contain a loss-deductible clause relieving him from any liability for paying the first \$100 of a proved and approved claim for loss, plus 5 per centum of the remainder, or such larger amount or percentage as may be specified by the Administrator upon issuance of the insurance policy, taking into consideration the class of risk involved.

"(d) The face amount of insurance policies and reinsurance agreements outstanding at any one time under this Act shall not exceed \$3,000,000,000 (which limit may be increased with the approval of the President by further amounts not to exceed \$2,000,000,000 in the aggregate if such increase is deemed advisable to effectuate the purposes of this Act) minus the aggregate amount of claims proved and approved under insurance policies and reinsurance agreements issued under this Act, but plus fees collected hereunder. For the purpose of applying this limitation, the face amount of any policy or agreement shall be deemed to be the original amount minus claims proved and approved thereunder.

"REINSURANCE REGULATORY AUTHORITY

"SEC. 11. (a) The Administrator is authorized to issue such regulations regarding reinsurance under this Act as he deems advisable in order to carry out the purposes of this Act.

"(b) The premium rate and terms and conditions of any policy reinsured under the provisions of this Act shall be subject to approval by the Administrator.

"(c) The Administrator shall use his best efforts to encourage private insurance companies to undertake the issuance of insurance policies covering that portion of the loss in excess of the limits specified in section 10 (a) of this Act resulting from damage to or destruction of real or personal property due to flood as defined in this Act. The Administrator may seek to achieve this end by offering a program of appropriate reinsurance within the authority granted him by this Act.

"(d) Wherever practicable, the Administrator may encourage, by offering suitable reinsurance subject to the provisions of this Act, the issuance by private insurance companies of policies insuring against loss resulting from damage to or destruction of real or personal property due to flood.

"NONDUPLICATION OF AVAILABLE INSURANCE

"SEC. 12. (a) No insurance or reinsurance, or loan contract, shall be issued under the provisions of this Act covering risks against which insurance is available on reasonable terms from other public or private sources.

"(b) No insurance or reinsurance shall be issued under the provisions of this Act on any property declared by a duly constituted State or local zoning authority, or other authorized public body, to be in violation of State or local flood zoning laws.

"(c) After June 30, 1958, no insurance or reinsurance shall be issued under the provisions of this Act in any geographical location unless an appropriate public body shall have adopted and shall keep in effect such flood zoning restrictions, if any, as may be deemed necessary by the Administrator to reduce, within practicable limits, damages from flood in such location.

"USE OF OTHER PUBLIC AND PRIVATE FACILITIES

"SEC. 13. (a) In providing insurance or reinsurance under this Act, the Administrator shall use to the maximum practicable extent the facilities and services of private organizations and persons authorized to engage in the insurance business under the laws of any State (including insurance companies, agents, brokers, and adjustment organizations); and the Administrator may arrange for payment of reasonable compensation therefor.

"(b) In providing insurance or reinsurance under this Act, the Administrator may use the services of other public agencies, and pay reasonable compensation therefor.

"(c) The Administrator may supply, receive from and exchange with other agencies of the Federal Government, State, local, and interstate commissions or agencies, and private organizations experienced in the fields of insurance or reinsurance, such informa-

tion as may be useful in the administration of the programs authorized by this Act.

"(d) In carrying out the functions authorized in this Act, the Administrator may consult with other agencies of the Federal Government and interstate, State, and local public agencies having responsibilities for land use and flood control and for flood zoning and flood-damage prevention in order to assure that the insurance and reinsurance programs are consistent with the programs of such agencies. Where the program of the Administrator may affect existing or proposed flood-control works under the jurisdiction of agencies of the Federal Government these agencies shall cooperate with the Administrator in coordinating their respective programs. The Secretary of Agriculture and the Administrator shall coordinate the administration of their respective programs relating to flood insurance and reinsurance for agricultural commodities.

"(e) The Administrator may from time to time consult with representatives of the various States to the extent deemed necessary by him to effectuate the purposes of this Act.

"CLAIMS PAYMENT AND JUDICIAL REVIEW

"SEC. 14. (a) Under such regulations as the Administrator may prescribe, he shall arrange for prompt adjustment and payment of valid claims for losses covered by insurance or reinsurance under this Act.

"(b) Upon disallowance of any claim against the Administrator under color of any insurance or reinsurance made available under this Act, or upon refusal of the claimant to accept the amount allowed upon any such claim, the claimant may institute an action against the Administrator on such claim in the United States district court in which a major portion (in terms of value) of the insured property is located. Any such action must be begun within one year after the date upon which the claimant receives from the Administrator written notice of disallowance or partial disallowance of the claim. For the purposes of this section, the Administrator may be sued and he shall appoint one or more agents within the jurisdiction of each United States district court upon whom service of process can be made in any action instituted under this section. Exclusive jurisdiction is hereby conferred upon all United States district courts to hear and determine such actions without regard to the amount in controversy.

"FUNDS AND TREASURY BORROWINGS

"SEC. 15. (a) To carry out the purposes of this Act, the Administrator is authorized to establish three funds to be known as the (1) Disaster Insurance Fund, (2) Disaster Reinsurance Fund, and (3) Disaster Loan Fund.

"(b) Into the Disaster Insurance Fund shall be deposited all insurance fees collected by the Administrator for insurance policies issued by him under this Act, and the contributions made by the Administrator and the respective States in accordance with section 7 (a) of this Act. Into the Disaster Reinsurance Fund shall be deposited all fees collected by the Administrator in connection with reinsurance made available by him under this Act. Into the Disaster Loan Fund shall be deposited amounts accruing to the United States in connection with loan contract transactions.

"(c) Moneys in each of the funds may be invested in obligations of the United States or in obligations guaranteed as to principal and interest by the United States. Such obligations may be sold and the proceeds derived therefrom may be reinvested as above provided if deemed advisable by the Administrator. Income from such investment or reinvestment shall be deposited in the respective fund from which the investment was made.

"(d) All salvage proceeds realized by the Administrator in connection with insurance made available under this Act shall be deposited in the Disaster Insurance Fund; and

all salvage proceeds realized by the Administrator in connection with reinsurance made available under this act shall be deposited in the Disaster Reinsurance Fund.

"(e) The Administrator is authorized to issue to the Secretary of the Treasury from time to time and have outstanding at any one time, in an amount not exceeding \$500 million (or such greater amount as may be approved by the President) notes or other obligations in such forms and denominations, bearing such maturities, and subject to such terms and conditions as may be prescribed by the Administrator, with the approval of the Secretary of the Treasury. Such notes or other obligations shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the current average rate on outstanding marketable obligations of the United States of comparable maturities as of the last day of the month preceding the issuance of such notes or other obligations. The Secretary of the Treasury is authorized and directed to purchase any notes and other obligations to be issued hereunder and for such purpose he is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under such act, as amended, are extended to include any purchases of such notes and obligations.

"The Secretary of the Treasury may at any time sell any of the notes or other obligations acquired by him under this section. All redemptions, purchase, and sales by the Secretary of the Treasury of such notes or other obligations shall be treated as public debt transactions of the United States. Funds borrowed under this section shall be deposited, in such proportions as the Administrator deems advisable, in the Disaster Insurance Fund, the Disaster Reinsurance Fund, and the Disaster Loan Fund.

"(f) Moneys in the Disaster Insurance Fund, the Disaster Reinsurance Fund, and the Disaster Loan Fund may be used for the following purposes as deemed necessary by the Administrator:

"(1) To pay from the Disaster Insurance Fund proved and approved claims for loss under, and other nonadministrative expenses arising in connection with, insurance policies issued by the Administrator under this act;

"(2) To pay from the Disaster Reinsurance Fund proved and approved claims under, and other nonadministrative expenses arising in connection with, reinsurance agreements entered into by the Administrator under this Act;

"(3) To pay from the Disaster Loan Fund the amounts of loans made by the Administrator, amounts in payment of guarantees, and other nonadministrative expenses in connection with direct and guaranteed loans under this Act; and

"(4) To repay to the Secretary of the Treasury sums borrowed from him in accordance with the provisions of subsection (e) of this section.

"(g) All administrative expenses of the Federal Government under this Act shall be paid from funds appropriated by the Federal Government.

"ADVISORY COMMITTEE

"SEC. 16. In carrying out his functions under this Act, the Administrator shall appoint an advisory committee as authorized by section 601 of the Housing Act of 1949, as amended (68 Stat. 590, 645). Such committee shall consist of not less than three nor more than fifteen persons familiar with the problems of insurance or reinsurance, to advise the Administrator with respect to the formulation of policies and the execution of functions under this Act.

"STUDIES

"SEC. 17. (a) The Administrator shall undertake a continuing study of the practi-

cability of extending the coverage of insurance programs similar to those authorized under this Act to any one or more natural disaster perils, other than flood, against which, and for the period during which, insurance protection is not generally and practically available in all geographical locations from other public or private sources.

"(b) The Administrator shall also undertake a continuing study of participation by private insurance companies in the programs authorized by this Act, in order that the protection it authorizes can be provided, whenever practicable, through insurance policies issued by private insurance companies and reinsured with the Administrator, in lieu of providing such protection through insurance policies issued in the name of the Administrator.

"(c) The Administrator shall undertake a continuing study of the feasibility of having private insurance companies take over, with or without some form of Federal financial support, the insurance programs authorized by this Act.

"ADDITIONAL FUNCTIONS

"SEC. 18. For the purpose of carrying out functions under this Act the Administrator may—

"(a) sue or be sued;

"(b) without regard to sections 3648 and 3709 of the Revised Statutes, as amended (31 U. S. C. 529 and 41 U. S. C. 5), and section 322 of the act of June 30, 1932 (47 Stat. 412, as amended (40 U. S. C. 278a)), enter into and perform contracts, leases, cooperative agreements, or other transactions, on such terms as he may deem appropriate, with any agency or instrumentality of the United States, or with any State or agency or political subdivision thereof, or with any person, firm, association, or corporation and consent to modification thereof, and make advance or progress payments in connection therewith;

"(c) without regard to sections 3648 and 3709 of the Revised Statutes, as amended (31 U. S. C. 529 and 41 U. S. C. 5), and section 322 of the Act of June 30, 1932 (47 Stat. 412, as amended (40 U. S. C. 278a)), by purchase, lease, or donation acquire such real and personal property and any interest therein, make advance or progress payments in connection therewith, and hold, use, maintain, insure against loss, sell, lease, or otherwise dispose of such real and personal property as the Administrator deems necessary to carry out the purposes of this Act;

"(d) appoint, pursuant to civil-service laws and regulations, such officers, attorneys, and employees as may be necessary to carry out the purposes of this Act; fix their compensation in accordance with the provisions of the Classification Act of 1949, as amended; define their authority and duties; provide bonds for such of them as he may deem necessary; and delegate to them, and authorize successive redelegations by them, of such of the powers vested in him by this Act as he may determine;

"(e) conduct researches, surveys, and investigations relating to flood insurance and reinsurance and assembled data for the purpose of establishing estimated rates, fees, and premiums for flood insurance and reinsurance under this Act;

"(f) issue such rules and regulations as he deems necessary to carry out the purposes of this Act; and

"(g) exercise all powers specifically granted by the provisions of this Act and such incidental powers as are necessary to carry out the purposes of this Act.

"RESERVATION OF RIGHTS IN REAL ESTATE ACQUIRED

"SEC. 19. The acquisition by the Administrator of any real property pursuant to this Act shall not deprive any State or political subdivision thereof of its civil or criminal jurisdiction in and over such property or impair the civil rights under the State or local law of the inhabitants on such property.

"TAXATION"

"SEC. 20. Nothing in this Act shall be construed to exempt any real property, acquired and held by the Administrator in connection with the payment of any claim under this Act, from taxation by any State or political subdivision thereof, to the same extent, according to its value, as other real property is taxed.

"ANNUAL REPORT"

"SEC. 21. The annual report made by the Administrator to the President for submission to the Congress under existing law on all programs provided for under this Act shall contain a comprehensive report concerning (1) the operation of insurance, reinsurance, and loan programs authorized under this Act, and (2) the status and result of studies authorized under section 17 of this Act, together with such recommendations, if any, for legislative changes deemed by the Administrator desirable to improve the operation of programs authorized under this Act. The annual report for the calendar year ending December 31, 1958, shall contain a list of the States which can be expected to participate in the insurance program authorized by this Act after June 30, 1959. The annual report for the calendar year ending December 31, 1961, shall contain an express opinion of the Administrator, supported by pertinent findings, concerning the advisability of withdrawing in whole or in part Federal financial support for insurance policies to be issued at any time after June 30, 1962, offering protection as authorized in this Act, taking into consideration the desirability of offering such protection. Such opinion shall be accompanied by recommendations for legislative changes deemed desirable by the Administrator in the event the opinion is to the effect that any such withdrawal of financial support is advisable.

"DEFINITIONS"

"SEC. 22. As used in this Act, the term—

"(a) 'Flood' includes any flood, tidal wave, wave wash, or other abnormally high tidal water, deluge, or the water component of any hurricane or other severe storm, surface landslide due to excess moisture, and shall have such other meaning as may be prescribed by regulation of the Administrator.

"(b) 'Person' means an individual or group of individuals, corporation, partnership, association, or any other organized group of persons, including State and local governments and agencies thereof;

"(c) 'United States', when used in a geographic sense, means the several States, the District of Columbia, the Territories, the possessions, and the Commonwealth of Puerto Rico;

"(d) 'State' includes the several States, the District of Columbia, the Territories, the possessions, and the Commonwealth of Puerto Rico; and

"(e) 'Administrator' means the Housing and Home Finance Administrator.

"SEPARABILITY PROVISION"

"SEC. 23. If any provision of this Act or the application of such provision to any person or circumstances shall be held invalid, the remainder of the Act and the application of such provision to any person or circumstance other than those as to which it is held invalid shall not be affected thereby."

And the House agree to the same.

BRENT SPENCE,
PAUL BROWN,
WRIGHT PATMAN,
ALBERT RAINS,
JESSE P. WOLCOTT,
RALPH A. GAMBLE,

Managers on the Part of the House.

HERBERT H. LEHMAN,
J. W. FULBRIGHT,
MIKE MONRONEY,
WAYNE MORSE,
PRESCOTT BUSH,

Managers on the Part of the Senate.

STATEMENT

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 3732) to provide insurance against flood damage, and for other purposes, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

The House amendment struck out all after the enacting clause of the Senate bill and inserted a substitute amendment. The conferees have agreed to a substitute for both the Senate bill and the House amendment. The conference substitute is identical with the House amendment, except in two respects.

The House amendment contained a provision authorizing the Administrator to issue insurance policies on owner-occupied homes at reduced fees if he found that the owners of these homes, as a class, could not afford to pay the fees otherwise chargeable for such insurance under the bill. The Senate bill contained no such provision. The House recedes, and this provision is not included in the conference substitute.

Both the Senate bill and the House amendment provided that after June 30, 1959, each State would be required to pay into the disaster insurance fund one-half the difference between the fees charged for policies issued after that date on property in that State and the estimated rates needed to cover losses on such properties. The provisions of the Senate bill on this point were more complete, providing for such matters as consultation between the State and Federal Governments and a statement in the Administrator's 1958 report of the number of States which could be expected to participate in the program after this requirement takes effect. The conference substitute follows the language of the Senate bill, with a technical amendment making it clear that when the States begin to contribute to the insurance fund, the Federal contributions will be reduced by a corresponding amount.

BRENT SPENCE,
PAUL BROWN,
WRIGHT PATMAN,
ALBERT RAINS,
JESSE P. WOLCOTT,
RALPH A. GAMBLE,

Managers on the Part of the House.

Mr. SPENCE. Mr. Speaker, I call up the conference report on the bill (S. 3732) to provide insurance against flood damage, and for other purposes, and ask unanimous consent that the statement of the managers on the part of the House be read in lieu of the report.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Kentucky?

There was no objection.

The Clerk read the statement.

The SPEAKER. The question is on the conference report.

The conference report was agreed to.

A motion to reconsider was laid on the table.

COMMITTEE TO NOTIFY PRESIDENT

Mr. McCORMACK. Mr. Speaker, I offer a privileged resolution and ask for its immediate consideration.

The Clerk read as follows:

House Resolution 655

Resolved, That a committee of two Members to be appointed by the House to join a similar committee appointed by the Senate,

to wait upon the President of the United States and inform him that the two Houses have completed their business of the session and are ready to adjourn, unless the President has some other communication to make to them.

The resolution was agreed to.

The SPEAKER. The chair appoints as members of the Committee to notify the President the gentleman from Massachusetts [Mr. McCORMACK] and the gentleman from Massachusetts [Mr. MARTIN].

ASSISTANT DIRECTOR, BUREAU OF THE BUDGET

Mr. McCORMACK. Mr. Speaker, I ask unanimous consent for the immediate consideration of the resolution (S. J. Res. 199) to authorize an additional position of Assistant Director of the Bureau of the Budget.

The Clerk read as follows:

Resolved etc., That there is hereby established one additional position of Assistant Director in the Bureau of the Budget, for which the compensation shall be the same as is now or may hereafter be provided for the two such positions heretofore authorized by law (31 U. S. C. 16a).

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

The joint resolution was ordered to be read a third time, was read the third time and passed, and a motion to reconsider was laid on the table.

WILLIAM LUKE PHALEN

Mr. CELLER. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (S. 1355) for the relief of William Luke Phalen.

The Clerk read the title of the bill.

Mr. GROSS. Mr. Speaker, reserving the right to object, is this a private bill?

Mr. MORANO. This just permits a postal employee to file a claim. There is no expense involved.

The SPEAKER. It is a private bill.

Mr. MORANO. It does not cost a cent.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

The Clerk read the bill, as follows:

Be it enacted, etc., That sections 15 to 20, inclusive, of the Federal Employees' Compensation Act, as amended, are hereby waived in favor of William Luke Phalen, of Bridgeport, Conn., and his claim for compensation for disability resulting from pulmonary tuberculosis alleged to have been contracted while in the performance of his duties as a clerk with the Post Office Department, Postal Transportation Service, Boston, Mass., shall be considered and acted upon under the remaining provisions of such act in the same manner as if claim had been timely filed, if such claim is filed within 90 days after the date of the enactment of this act: *Provided*, That no benefits except medical expenses shall accrue by reason of the enactment of this act for any period prior to its enactment.

The bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

POSTAL RATE LEGISLATION

(Mr. McCORMACK asked and was given permission to extend his remarks at this point in the RECORD.)

Mr. McCORMACK. Mr. Speaker, accomplishments of a Congress are twofold in nature: One, in the passage of constructive legislation; and two, in preventing the passage of unwise and unfair legislation.

The increase in postal rates recommended for the past 3 years by the Republican administration imposed an unfair burden on the users of first-class mail. It constituted a 33 1/3-percent users tax. It was also burdensome upon newspapers and magazines. While an increase for newspapers and magazines was justified the rates proposed were too high and too sudden.

The credit for the failure of this bill to pass is due to Democratic leadership.

In 1952, at least 90 percent of the press of the country supported General Eisenhower and the Republican candidates, and the thanks they received was increased burdens that would have adversely affected all of the newspapers of the country, except a few large metropolitan papers, who make most of their delivery by truck, and would have compelled many to stop their publication and go out of business.

It will be interesting to see in the coming campaign, if they will continue to support President Eisenhower and Republican candidates, or support or treat fairly Democratic candidates who fought for fair treatment for the press of America.

In this fight, and it was a hard one—with every effort made by the Republican administration to drive and force the bill through—the Democratic Members fought for fair treatment.

It will be interesting to see in the months ahead if the press of the country gives the Democrats fair treatment.

PROVIDING FOR THE PAYMENT AND COLLECTION OF WAGES IN THE DISTRICT OF COLUMBIA

Mr. McMILLAN. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (S. 938) to provide for the payment and collection of wages in the District of Columbia.

The SPEAKER. Is there objection to the request of the gentleman from South Carolina?

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc.—

DEFINITIONS

Whenever used in this act, (a) "employer" includes every individual, partnership, firm, association, corporation, the legal representative of a deceased individual, or the receiver, trustee, or successor of an individual, firm, partnership, association, or corporation, employing any person in the District of Columbia: *Provided*, That the word "employer" shall not include the Government of the United States, the government of the District of Columbia, or any agency of either of said governments, or any employer subject to the Railway Labor Act.

(b) "Employee" shall include any person suffered or permitted to work by an employer except any person employed in a bona

fide executive, administrative, or professional capacity (as such terms are defined and delimited by regulations promulgated by the Commissioners of the District of Columbia).

(c) "Wages" means monetary compensation after lawful deductions, owed by an employer for labor or services rendered, whether the amount is determined on a time, task, piece, commission, or other basis of calculation.

(d) "Commissioners" means the Commissioners of the District of Columbia or their designated agent or agents.

(e) "Working day" means any day exclusive of Saturdays, Sundays, or legal holidays.

SEMIMONTHLY PAYDAY

SEC. 2. Every employer shall pay all wages earned to his employees at least twice during each calendar month, on regular paydays designated in advance by the employer: *Provided, however*, That an interval of not more than 10 working days may elapse between the end of the pay period covered and the regular payday designated by the employer, except where a different period is specified in a collective agreement between an employer and a bona fide labor organization: *Provided further*, That where, by contract or custom, an employer has paid wages at least once each calendar month, he may lawfully continue to do so. Wages shall be paid on designated paydays in lawful money of the United States, or checks on banks payable upon demand by the bank upon which drawn.

EMPLOYEES WHO ARE SEPARATED FROM THE PAYROLL BEFORE A REGULAR PAYDAY

SEC. 3. Unless otherwise specified in a collective agreement between an employer and a bona fide union representing his employees—

(a) Whenever an employer discharges an employee, the employer shall pay the employee's wages earned not later than the working day following such discharge.

(b) Whenever an employee (not having a written contract of employment for a period in excess of 30 days) quits or resigns, the employer shall pay the employee's wages due upon the next regular payday or within 7 days from the date of quitting or resigning, whichever is earlier.

(c) When work of an employee is suspended as a result of a labor dispute, the employer shall pay to such employee not later than the next regular payday, designated under section 2 of this act, wages earned at the time of suspension.

(d) If an employer fails to pay an employee wages earned as required under subsections (a), (b), and (c) of this section, such employer shall pay, or be additionally liable to, the employee, as liquidated damages, 10 percent of the unpaid wages for each working day during which such failure shall continue after the day upon which payment is hereunder required; or an amount equal to the unpaid wages, whichever is smaller: *Provided, however*, That for the purpose of such liquidated damages such failure shall not be deemed to continue after the date of the filing of a petition in bankruptcy with respect to the employer if he thereafter shall have been adjudicated bankrupt upon such petition.

UNCONDITIONAL PAYMENT OF WAGES CONCEDED TO BE DUE

SEC. 4. In case of a bona fide dispute concerning the amount of wages due, the employer shall give written notice to the employee of the amount of wages which he concedes to be due, and shall pay such amount, without condition, within the time required by sections 2 and 4 of this act: *Provided, however*, That acceptance by the employee of any payment made hereunder shall not constitute a release as to the balance of his claim. Payment in accordance with this section shall constitute payment

for the purposes of complying with sections 2 and 4 of this act, only if there exists a bona fide dispute concerning the amount of wages due.

PROVISIONS OF LAW MAY NOT BE WAIVED BY AGREEMENT

SEC. 5. Except as herein provided, no provision of this act shall in any way be contravened or set aside by private agreement.

ENFORCEMENT, RECORDS, AND SUBPENAS

SEC. 6. (a) The Commissioners shall enforce and administer the provisions of this act and may hold hearings and otherwise investigate any violations of this act and institute actions for penalties provided hereunder. Any and all prosecutions of violations of this act shall be conducted in the name of the District of Columbia and by the Corporation Counsel or his assistants.

(b) The Commissioner shall have power to administer oaths and examine witnesses under oath, issue subpoenas, compel the attendance of witnesses, and the production of papers, books, accounts, records, payrolls, documents, and testimony and to take depositions and affidavits in any proceedings before them.

(c) In case of failure of any person to comply with any subpoena lawfully issued, or on the refusal of any witness to testify to any matter regarding which he may be lawfully interrogated, it shall be the duty of the Municipal Court for the District of Columbia or any judge thereof, on application by the Commissioners, to compel obedience by attachment proceedings for contempt, as in the case of disobedience of the requirements of a subpoena issued from such court or a refusal to testify therein.

PENALTIES

SEC. 7. Any employer who, having the ability to pay, willfully violates any provisions of section 2 or section 4 of this act or who fails to comply with any other provisions of this act, shall be guilty of a misdemeanor and, upon conviction thereof, shall for the first offense be punished by a fine of not more than \$300, or by imprisonment of not more than 30 days, or in the discretion of the court, by both such fine and imprisonment; and for any subsequent offense shall be punished by a fine of not more than \$1,000 or more than 90 days, or in the discretion of the court, by both such fine and imprisonment.

EMPLOYEES' REMEDIES

SEC. 8. (a) Action by an employee to recover unpaid wages and liquidated damages may be maintained in any court of competent jurisdiction by any one or more employees for and in behalf of himself or themselves and other employees similarly situated, or such employee or employees may designate an agent or representative to maintain such action for and on behalf of all employees similarly situated. Any employee, or his representative, shall have the power to settle and adjust his claim for unpaid wages. Whenever the Commissioners determine that wages have not been paid, as herein provided and that such unpaid wages constitute an enforceable claim, the Commissioners may, upon the request of the employee, take an assignment in trust for the assigning employee of such wages, and of any claim for liquidated damages, without being bound by any of the technical rules respecting the validity of any such assignments, may bring any appropriate legal action necessary to collect such claim and may join in one proceeding or action such claims against the same employer as the Commissioners deem appropriate. Upon any such assignment the Commissioners shall have power to settle and adjust any such claim or claims on such terms as they may deem just.

(b) The court in any action brought under this section shall, in addition to any judg-

Public Law 1016 - 84th Congress
Chapter 1025 - 2d Session
S. 3732

AN ACT

All 70 Stat. 1078.

To provide insurance against flood damage, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Federal Flood Insurance Act of 1956".

Federal Flood
Insurance Act
of 1956.

FINDINGS AND DECLARATION OF PURPOSE

SEC. 2. (a) The Congress finds that in the case of recurring natural disasters, including recurring floods, insurance protection against individual and public loss is not always practically available through private or public sources. With specific reference to insurance against flood loss, the Congress finds that insurance against certain losses resulting from this peril is not so available. Since preventive and protective means and structures against the effects of these disasters can never wholly anticipate the geographic incidence and infinite variety of the destructive aspects of these forces, the Congress finds that the safeguards of insurance are a necessary adjunct of preventive and protective means and structures.

Inasmuch as these disasters impede interstate and foreign commerce, hamper national defense, and cause widespread distress and hardship adversely affecting the general welfare, without regard to State boundary lines, and in the absence of insurance protection from private or public sources, the Congress ought to provide for such protection in the case of flood, and study the feasibility and need for similar programs in the case of other forms of natural disaster against which insurance protection is not generally and practically available in all geographical areas.

(b) (1) It is the purpose of this Act to authorize the establishment of a program of Federal insurance and reinsurance against the risks of loss resulting from flood as hereinafter defined, and to require a study and report on insurance and reinsurance against still other natural disaster perils to the extent that such insurance or reinsurance is not available on reasonable terms and conditions from other public or private sources; and

(2) It is the further purpose of this Act to encourage private insurance companies to write insurance covering the extent of the risks above the limits prescribed in section 10 (a) and to provide Federal reinsurance to the extent desirable and necessary to carry out this purpose.

(3) It is the further purpose of this Act to authorize the establishment of a program of loans, and a program combining insurance and loans, to assist flood victims who have entered into contracts with the Administrator under this Act.

ADMINISTRATION

SEC. 3. (a) To assist in carrying out the functions, powers, and duties vested in him by this Act, the Administrator may appoint a Commissioner, and the basic rate of compensation of such position shall be the same as the basic rate of compensation established for the Commissioners of the constituents of the Housing and Home Finance Agency.

(b) The provisions of the Government Corporation Control Act, as amended, shall apply to the functions vested in the Administrator by this Act, to the same extent as applicable to wholly owned Government corporations.

59 Stat. 597.
31 USC 841
note.

31 USC 841
note.

(c) In the performance of, and with respect to, the functions, powers, and duties vested in him by this Act, the Administrator, notwithstanding the provisions of any other law, shall maintain an integral set of accounts which shall be audited annually by the General Accounting Office in accordance with the principles and procedures applicable to commercial transactions as provided by the Government Corporation Control Act, as amended, and no other audit shall be required: *Provided*, That such financial transactions of the Administrator as the issuing of insurance policies, the making of reinsurance agreements, and the making and guaranteeing of loans, and vouchers approved by the Administrator in connection with such financial transactions, shall be final and conclusive upon all officers of the Government.

AUTHORITY TO INSURE AND REINSURE

SEC. 4. To aid in carrying out the purposes of this Act, the Administrator is authorized to provide, upon such terms and conditions (including coinsurance requirements) as he may establish, insurance and reinsurance against loss resulting from damage to or destruction of real or personal property (including property owned by any State or local government) due to flood, as hereinafter defined, occurring within the United States: *Provided*, That insurance policies issued under this Act after June 30, 1959, shall be issued only with respect to property in those States which participate as provided in section 7 (a) of this Act.

LOAN CONTRACTS

SEC. 5. (a) The Administrator is authorized to enter into contracts with any persons (not including State and local governments and agencies thereof) to the effect that, in the event of any subsequent loss resulting from damage to or destruction of real and personal property due to flood, as hereinafter defined, occurring within the United States—

(1) the Administrator will guarantee any public or private financing institution against loss of principal and interest with respect to any loan in an amount not to exceed such subsequent flood loss (as modified by subsection (f) of this section, relating to deductibility), which may be made by such institution to any such person in connection with such flood loss; and

(2) to the extent that a loan to finance such flood loss is not available from any such institution on reasonable terms, the Administrator will make a loan directly to such person in an amount covering all or part (as provided for in the loan contract between the Administrator and such person) of the difference between the amount of such flood loss (as modified by such subsection (f), relating to deductibility) and the amount of the loan available from such institution.

Each such contract shall contain such terms and conditions and require from any such person such monetary consideration, as the Administrator may prescribe by regulation. In issuing such regulations the Administrator shall fix such monetary consideration at the lowest practicable amount, following generally the same principles as apply under section 7 (a) with respect to the establishment of fees for insurance.

(b) Any loan made or guaranteed under this section shall bear interest at the rate, as determined by the Administrator, which is prevailing in the area where the money loaned is to be used but such rate shall not exceed 4 per centum per annum on the unpaid principal balance.

(c) Any Federal Reserve bank, when designated by the Administrator, is hereby authorized to act, on behalf of the Administrator, as fiscal agent of the United States in guaranteeing loans under this section and in otherwise taking action in connection with such guarantees. Such funds as may be necessary to enable such bank to carry out any such guarantee shall be supplied and disbursed by or under authority of the Administrator from the Disaster Loan Fund. Such bank shall not have any responsibility or accountability except as agent in taking any action in connection with such guarantees. Each such bank shall be reimbursed by the Administrator, from funds appropriated by the Federal Government, for all expenses incurred by the bank in acting as agent on behalf of the Administrator, including among such expenses, notwithstanding any other provision of law, attorneys' fees and expenses of litigation.

(d) Actions and operations of such banks under authority of subsection (c) of this section shall be subject to the supervision of the Administrator and subject to such regulations as he may prescribe. The Administrator is authorized to prescribe the term and incidental charges for loans guaranteed under subsection (c) of this section. The Administrator is further authorized to prescribe regulations with respect to the forms and procedures (which shall be uniform to the maximum extent practicable) to be utilized in connection with such guarantees.

(e) To the maximum extent practicable, loans under this section shall be on a long-term basis in accordance with regulations prescribed by the Administrator, if so requested by the person obtaining the loan.

(f) Loans under this section shall be made only with respect to amounts exceeding the first \$500 of the amount of the loss.

(g) The face amount of all loan contracts outstanding under this section at any one time shall not exceed \$2,000,000,000; but such amount may be increased, with the approval of the President, by not to exceed \$500,000,000 in any one fiscal year.

(h) The provisions of sections 8, 9, 10 (a), 10 (b), 12 (b), 12 (c), 13, 14, 15 (e), 15 (g), 17 (a), 18, 19, 20, 22, and 23 of this Act shall be applicable with respect to the loan contract program under this section.

COMBINATION OF INSURANCE AND LOANS

SEC. 6. The Administrator is authorized to establish, under such regulations as he may prescribe, a program combining insurance and loans in order to provide the greatest variety and amount of protection against loss to the greatest number of affected parties in accordance with individual needs.

ESTIMATED RATES AND FEES

SEC. 7. (a) The Administrator shall from time to time establish a schedule of "estimated rates" for insurance offered under the provisions of this Act, which would be adequate, in his judgment, to produce sufficient proceeds to pay all claims for probable losses over a reasonable period of years. Such "estimated rates" shall be used as a basis for determining the fees to be paid by the persons insured. They shall be based on consideration of the risks involved and shall be uniform for similar risks within a given classification of property. They shall not include any loading for administrative expenses of the Federal Government under this Act. The Administrator shall establish a schedule of fees to provide insurance protection at reasonable costs designed to achieve marketability: *Provided*, That no insurance policy shall be issued for a fee less than 60 per centum of such "estimated rate". The Administrator is authorized to establish

such classifications of fees as he deems necessary to carry out the purposes of this Act based on the use of the property to be insured, the availability of insurance from private sources covering such property, and the ability of the insured to self-insure or reinsure and may establish differentials in levels of fees for such classifications: *Provided*, That all such fees shall be uniform for similar risks within a given classification of property. Prior to July 1, 1959, the Administrator shall pay into the Disaster Insurance Fund, hereinafter created, from time to time, an amount equal to the difference between the fees charged for insurance policies issued and the amount which would have been charged if the "estimated rates" were applied: *Provided*, That after June 30, 1959, each State shall pay from time to time into the Disaster Insurance Fund, an amount equal to one-half the difference between the fees charged for insurance policies issued after such date on property in such State, and the amount which would have been charged if the "estimated rates" were applied, and the Administrator shall pay into such Fund, from time to time, an amount equal to the State's contribution for each policy issued.

(b) The Administrator from time to time shall also negotiate with insurance companies seeking reinsurance for the purpose of establishing fees for reinsurance offered under the provisions of this Act. Such fees shall be based on consideration of the risks involved and shall be adequate, in the judgment of the Administrator, to produce sufficient proceeds over a reasonable period of years to pay all claims for losses. The fees shall not include any loading for administrative expenses of the Federal Government under this Act.

PROPERTY AND LOSS LIMITS

SEC. 8. The Administrator is authorized to provide for the determination of types and location of property with respect to which insurance or reinsurance shall be made available under this Act, the nature and limits of loss or damage in any area (including subdivisions thereof) which may be covered by such insurance or reinsurance, and such other matters as may be necessary to carry out the purposes of this Act.

RISK CLASSIFICATION

SEC. 9. The Administrator may from time to time issue appropriate regulations regarding the classification, limitation, and rejection of risks assumed by him under authority of this Act.

POLICY AND PROGRAM LIMITS

SEC. 10. (a) The outstanding face amount of insurance issued by the Administrator under this Act shall not exceed \$250,000 per person: *Provided*, That the face amount of such insurance on any dwelling unit (including any structures and personal property connected therewith) shall not exceed \$10,000.

(b) The Administrator may from time to time issue appropriate regulations regarding insurance coverage available to joint owners and subsidiary and affiliated corporations as he shall deem advisable to effectuate the purposes of this Act.

(c) Each insurance policy issued by the Administrator shall contain a loss-deductible clause relieving him from any liability for paying the first \$100 of a proved and approved claim for loss, plus 5 per centum of the remainder, or such larger amount or percentage as may be specified by the Administrator upon issuance of the insurance policy, taking into consideration the class of risk involved.

(d) The face amount of insurance policies and reinsurance agreements outstanding at any one time under this Act shall not exceed \$3,000,000,000 (which limit may be increased with the approval of the President by further amounts not to exceed \$2,000,000,000 in the aggregate if such increase is deemed advisable to effectuate the purposes of this Act) minus the aggregate amount of claims proved and approved under insurance policies and reinsurance agreements issued under this Act, but plus fees collected hereunder. For the purpose of applying this limitation, the face amount of any policy or agreement shall be deemed to be the original amount minus claims proved and approved thereunder.

REINSURANCE REGULATORY AUTHORITY

SEC. 11. (a) The Administrator is authorized to issue such regulations regarding reinsurance under this Act as he deems advisable in order to carry out the purposes of this Act.

(b) The premium rate and terms and conditions of any policy reinsured under the provisions of this Act shall be subject to approval by the Administrator.

(c) The Administrator shall use his best efforts to encourage private insurance companies to undertake the issuance of insurance policies covering that portion of the loss in excess of the limits specified in section 10 (a) of this Act resulting from damage to or destruction of real or personal property due to flood as defined in this Act. The Administrator may seek to achieve this end by offering a program of appropriate reinsurance within the authority granted him by this Act.

(d) Wherever practicable, the Administrator may encourage, by offering suitable reinsurance subject to the provisions of this Act, the issuance by private insurance companies of policies insuring against loss resulting from damage to or destruction of real or personal property due to flood.

NONDUPLICATION OF AVAILABLE INSURANCE

SEC. 12. (a) No insurance or reinsurance, or loan contract, shall be issued under the provisions of this Act covering risks against which insurance is available on reasonable terms from other public or private sources.

(b) No insurance or reinsurance shall be issued under the provisions of this Act on any property declared by a duly constituted State or local zoning authority, or other authorized public body, to be in violation of State or local flood zoning laws.

(c) After June 30, 1958, no insurance or reinsurance shall be issued under the provisions of this Act in any geographical location unless an appropriate public body shall have adopted and shall keep in effect such flood zoning restrictions, if any, as may be deemed necessary by the Administrator to reduce, within practicable limits, damages from flood in such location.

USE OF OTHER PUBLIC AND PRIVATE FACILITIES

SEC. 13. (a) In providing insurance or reinsurance under this Act, the Administrator shall use to the maximum practicable extent the facilities and services of private organizations and persons authorized to engage in the insurance business under the laws of any State (including insurance companies, agents, brokers, and adjustment organizations); and the Administrator may arrange for payment of reasonable compensation therefor.

(b) In providing insurance or reinsurance under this Act, the Administrator may use the services of other public agencies, and pay reasonable compensation therefor.

(c) The Administrator may supply, receive from and exchange with other agencies of the Federal Government, State, local, and interstate commissions or agencies, and private organizations experienced in the fields of insurance or reinsurance, such information as may be useful in the administration of the programs authorized by this Act.

(d) In carrying out the functions authorized in this Act, the Administrator may consult with other agencies of the Federal Government and interstate, State, and local public agencies having responsibilities for land use and flood control and for flood zoning and flood-damage prevention in order to assure that the insurance and reinsurance programs are consistent with the programs of such agencies. Where the program of the Administrator may affect existing or proposed flood-control works under the jurisdiction of agencies of the Federal Government these agencies shall cooperate with the Administrator in coordinating their respective programs. The Secretary of Agriculture and the Administrator shall coordinate the administration of their respective programs relating to flood insurance and reinsurance for agricultural commodities.

(e) The Administrator may from time to time consult with representatives of the various States to the extent deemed necessary by him to effectuate the purposes of this Act.

CLAIMS PAYMENT AND JUDICIAL REVIEW

SEC. 14. (a) Under such regulations as the Administrator may prescribe, he shall arrange for prompt adjustment and payment of valid claims for losses covered by insurance or reinsurance under this Act.

(b) Upon disallowance of any claim against the Administrator under color of any insurance or reinsurance made available under this Act, or upon refusal of the claimant to accept the amount allowed upon any such claim, the claimant may institute an action against the Administrator on such claim in the United States district court in which a major portion (in terms of value) of the insured property is located. Any such action must be begun within one year after the date upon which the claimant receives from the Administrator written notice of disallowance or partial disallowance of the claim. For the purposes of this section, the Administrator may be sued and he shall appoint one or more agents within the jurisdiction of each United States district court upon whom service of process can be made in any action instituted under this section. Exclusive jurisdiction is hereby conferred upon all United States district courts to hear and determine such actions without regard to the amount in controversy.

FUNDS AND TREASURY BORROWINGS

Disaster Funds. SEC. 15. (a) To carry out the purposes of this Act, the Administrator is authorized to establish three funds to be known as the (1) Disaster Insurance Fund, (2) Disaster Reinsurance Fund, and (3) Disaster Loan Fund.

Deposits. (b) Into the Disaster Insurance Fund shall be deposited all insurance fees collected by the Administrator for insurance policies issued by him under this Act, and the contributions made by the Administrator and the respective States in accordance with section 7 (a) of this Act. Into the Disaster Reinsurance Fund shall be deposited all fees collected by the Administrator in connection with reinsurance made available by him under this Act. Into the Disaster Loan Fund shall

be deposited amounts accruing to the United States in connection with loan contract transactions.

(c) Moneys in each of the funds may be invested in obligations of the United States or in obligations guaranteed as to principal and interest by the United States. Such obligations may be sold and the proceeds derived therefrom may be reinvested as above provided if deemed advisable by the Administrator. Income from such investment or reinvestment shall be deposited in the respective fund from which the investment was made. Investments.

(d) All salvage proceeds realized by the Administrator in connection with insurance made available under this Act shall be deposited in the Disaster Insurance Fund; and all salvage proceeds realized by the Administrator in connection with reinsurance made available under this Act shall be deposited in the Disaster Reinsurance Fund. Salvage proceeds.

(e) The Administrator is authorized to issue to the Secretary of the Treasury from time to time and have outstanding at any one time, in an amount not exceeding \$500,000,000 (or such greater amount as may be approved by the President) notes or other obligations in such forms and denominations, bearing such maturities, and subject to such terms and conditions as may be prescribed by the Administrator, with the approval of the Secretary of the Treasury. Such notes or other obligations shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the current average rate on outstanding marketable obligations of the United States of comparable maturities as of the last day of the month preceding the issuance of such notes or other obligations. The Secretary of the Treasury is authorized and directed to purchase any notes and other obligations to be issued hereunder and for such purpose he is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under such Act, as amended, are extended to include any purchases of such notes and obligations. Issuance of notes.
40 Stat. 288.
31 USC 774.

The Secretary of the Treasury may at any time sell any of the notes or other obligations acquired by him under this section. All redemptions, purchases, and sales by the Secretary of the Treasury of such notes or other obligations shall be treated as public debt transactions of the United States. Funds borrowed under this section shall be deposited, in such proportions as the Administrator deems advisable, in the Disaster Insurance Fund, the Disaster Reinsurance Fund, and the Disaster Loan Fund.

(f) Moneys in the Disaster Insurance Fund, the Disaster Reinsurance Fund, and the Disaster Loan Fund may be used for the following purposes as deemed necessary by the Administrator: Use of moneys in Funds.

(1) To pay from the Disaster Insurance Fund proved and approved claims for loss under, and other nonadministrative expenses arising in connection with, insurance policies issued by the Administrator under this Act;

(2) To pay from the Disaster Reinsurance Fund proved and approved claims under, and other nonadministrative expenses arising in connection with, reinsurance agreements entered into by the Administrator under this Act;

(3) To pay from the Disaster Loan Fund the amounts of loans made by the Administrator, amounts in payment of guarantees, and other nonadministrative expenses in connection with direct and guaranteed loans under this Act; and

(4) To repay to the Secretary of the Treasury sums borrowed from him in accordance with the provisions of subsection (e) of this section.

(g) All administrative expenses of the Federal Government under this Act shall be paid from funds appropriated by the Federal Government.

ADVISORY COMMITTEE

12 USC 1701h.

SEC. 16. In carrying out his functions under this Act, the Administrator shall appoint an advisory committee as authorized by section 601 of the Housing Act of 1949, as amended (68 Stat. 590, 645). Such committee shall consist of not less than three nor more than fifteen persons familiar with the problems of insurance or reinsurance, to advise the Administrator with respect to the formulation of policies and the execution of functions under this Act.

STUDIES

SEC. 17. (a) The Administrator shall undertake a continuing study of the practicability of extending the coverage of insurance programs similar to those authorized under this Act to any one or more natural disaster perils, other than flood, against which, and for the period during which, insurance protection is not generally and practically available in all geographical locations from other public or private sources.

(b) The Administrator shall also undertake a continuing study of participation by private insurance companies in the programs authorized by this Act, in order that the protection it authorizes can be provided, whenever practicable, through insurance policies issued by private insurance companies and reinsured with the Administrator, in lieu of providing such protection through insurance policies issued in the name of the Administrator.

(c) The Administrator shall undertake a continuing study of the feasibility of having private insurance companies take over, with or without some form of Federal financial support, the insurance programs authorized by this Act.

ADDITIONAL FUNCTIONS

SEC. 18. For the purpose of carrying out functions under this Act the Administrator may—

(a) sue or be sued;

(b) without regard to sections 3648 and 3709 of the Revised Statutes, as amended (31 U. S. C. 529 and 41 U. S. C. 5), and section 322 of the Act of June 30, 1932 (47 Stat. 412, as amended (40 U. S. C. 278a)), enter into and perform contracts, leases, cooperative agreements, or other transactions, on such terms as he may deem appropriate, with any agency or instrumentality of the United States, or with any State or agency or political subdivision thereof, or with any person, firm, association, or corporation and consent to modification thereof, and make advance or progress payments in connection therewith;

(c) without regard to sections 3648 and 3709 of the Revised Statutes, as amended (31 U. S. C. 529 and 41 U. S. C. 5), and section 322 of the Act of June 30, 1932 (47 Stat. 412, as amended (40 U. S. C. 278a)), by purchase, lease, or donation acquire such real and personal property and any interest therein, make advance or progress payments in connection therewith, and hold, use, maintain, insure against loss, sell, lease, or otherwise dispose of such real and personal property as the Administrator deems necessary to carry out the purposes of this Act;

(d) appoint, pursuant to civil-service laws and regulations, such officers, attorneys, and employees as may be necessary to carry out the purposes of this Act; fix their compensation in accordance with the provisions of the Classification Act of 1949, as amended; define their authority and duties; provide bonds for such of them as he may deem necessary; and delegate to them, and authorize successive redelegations by them, of such of the powers vested in him by this Act as he may determine;

(e) conduct researches, surveys, and investigations relating to flood insurance and reinsurance and assemble data for the purpose of establishing estimated rates, fees, and premiums for flood insurance and reinsurance under this Act;

(f) issue such rules and regulations as he deems necessary to carry out the purposes of this Act; and

(g) exercise all powers specifically granted by the provisions of this Act and such incidental powers as are necessary to carry out the purposes of this Act.

RESERVATION OF RIGHTS IN REAL ESTATE ACQUIRED

SEC. 19. The acquisition by the Administrator of any real property pursuant to this Act shall not deprive any State or political subdivision thereof of its civil or criminal jurisdiction in and over such property or impair the civil rights under the State or local law of the inhabitants on such property.

TAXATION

SEC. 20. Nothing in this Act shall be construed to exempt any real property, acquired and held by the Administrator in connection with the payment of any claim under this Act, from taxation by any State or political subdivision thereof, to the same extent, according to its value, as other real property is taxed.

ANNUAL REPORT

SEC. 21. The annual report made by the Administrator to the President for submission to the Congress under existing law on all programs provided for under this Act shall contain a comprehensive report concerning (1) the operation of insurance, reinsurance, and loan programs authorized under this Act, and (2) the status and result of studies authorized under section 17 of this Act, together with such recommendations, if any, for legislative changes deemed by the Administrator desirable to improve the operation of programs authorized under this Act. The annual report for the calendar year ending December 31, 1958, shall contain a list of the States which can be expected to participate in the insurance program authorized by this Act after June 30, 1959. The annual report for the calendar year ending December 31, 1961, shall contain an express opinion of the Administrator, supported by pertinent findings, concerning the advisability of withdrawing in whole or in part Federal financial support for insurance policies to be issued at any time after June 30, 1962, offering protection as authorized in this Act, taking into consideration the desirability of offering such protection. Such opinion shall be accompanied by recommendations for legislative changes deemed desirable by the Administrator in the event the opinion is to the effect that any such withdrawal of financial support is advisable.

DEFINITIONS

SEC. 22. As used in this Act the term—

(a) "Flood" includes any flood, tidal wave, wave wash, or other abnormally high tidal water, deluge, or the water component of any hurricane or other severe storm, surface landslide due to excess moisture, and shall have such other meaning as may be prescribed by regulation of the Administrator.

(b) "Person" means an individual or group of individuals, corporation, partnership, association, or any other organized group of persons, including State and local governments and agencies thereof;

(c) "United States", when used in a geographic sense, means the several States, the District of Columbia, the Territories, the possessions, and the Commonwealth of Puerto Rico;

(d) "State" includes the several States, the District of Columbia, the Territories, the possessions, and the Commonwealth of Puerto Rico; and

(e) "Administrator" means the Housing and Home Finance Administrator.

SEPARABILITY PROVISION

SEC. 23. If any provision of this Act or the application of such provision to any person or circumstances shall be held invalid, the remainder of the Act and the application of such provision to any person or circumstance other than those as to which it is held invalid shall not be affected thereby.

Approved August 7, 1956.

